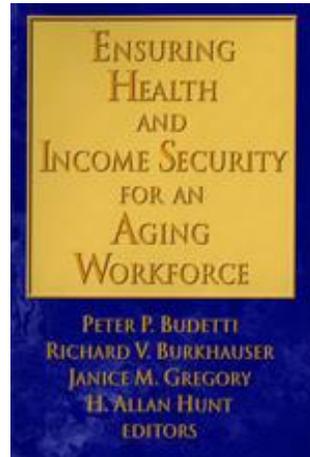

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Health, Disability, and the Aging Workforce from the Employer's Perspective

Bruce G. Flynn
Watson Wyatt Worldwide



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Each year, the Washington Business Group on Health and Watson Wyatt Worldwide survey large employers regarding their disability management practices. This year's survey collected responses from 178 large organizations (greater than 1000 employees) representing all segments of the economy (finance, manufacturing, high technology, etc.). The survey results indicate that employers have seen their disability costs level off or even decrease during the last three years, in large part due to state workers' compensation reform and a competitive insurer marketplace for disability coverage (Figure 1, on p. 352).

However, many attribute a significant portion of the stability of short-term disability (STD)/workers' compensation (WC)/long-term disability (LTD) costs to the emergence of integrated disability management programs that seek to control disability costs through early identification, medical case management, and early return-to-work (RTW) interventions in the workplace. Approximately 43 percent of large employers now report having implemented integrated disability management (DM) programs (up from 26 percent four years ago). Such programs encompass a broad range of activities including safety training, case management, transitional work programs, and supervisory training (Figure 2). The effectiveness of these programs is typically linked to a reduction of disability benefit costs.

The survey further reveals that the most effective disability cost containment outcomes are correlated with implementation of multiple disability management program activities (Figure 3a, b, c). The integration of multiple program elements across occupational and non-occupational disability programs also resulted in improved disability benefit cost control outcomes (Figure 4).

Despite DM program developments, the strategy of choice for many organizations has been and continues to be to actively assist individuals in obtaining Social Security Disability Income (SSDI) benefits (Hunt et al. 1996). Thus, when private sector employers fail to accommodate individuals and return them to work, the final solution is one of cost-shifting to public disability programs. Although DM and accommodation activities by employers have slowed the departure of individuals with disabilities from the workforce, it appears inevitable that some portion continue to migrate to public sector disability systems (Burkhauser, Butler, and Kim 1995).

Exploring the connection between the impacts of DM programs and their effects on the costs and utilization of public disability benefits is the purpose of a research program undertaken by the Rehabilitation Research and Training Center (RRTC) on Workplace Supports at Virginia Commonwealth University in collaboration with WBGH, Watson Wyatt, and the UnumProvident insurance company. Current studies have documented the migration of workers who develop a work-limiting disability from private to public sources of income replacement, referred to as the Progression of Disability Benefits (PODB). In the next phase of this research, the rate of PODB on an employer-by-employer basis will be compared for employers who have implemented DM programs and those without DM programs. It is expected that employers with active DM programs will “pass through” fewer disabled employees (from STD and WC to LTD, and on to SSDI) than those who do not engage in active disability management.

Still, significant challenges loom as the workforce ages:

- Health care: a shift in the needs of disabled workers from medical care for acute injuries and conditions to care for chronic, ongoing health problems will challenge the health system to respond with effective prevention and disease management services which will maintain employees’ ability to be productive at work.
- Functional outcomes: the integration of health and disability management will increasingly focus on improvement of functional outcomes (not simply clinical outcomes). Development of valid and meaningful measures of functional improvement will require collaboration between health and disability researchers,

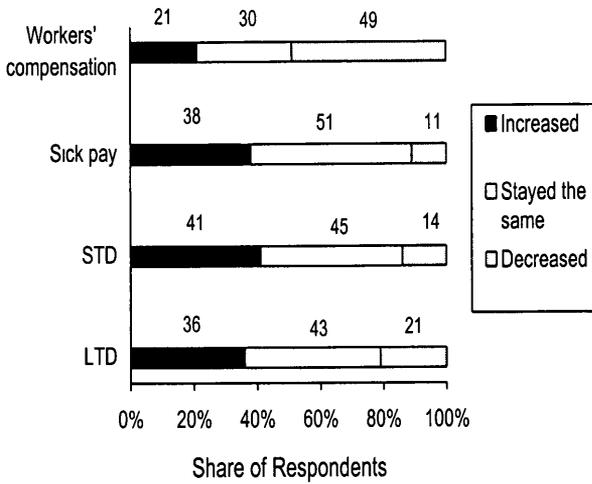
purchasers, insurers, policy experts, and quality/accreditation evaluators.

- **Workplace flexibility:** accommodation of the restrictions of employees with disabilities requires flexible work policies with respect to work assignments, work design, and work scheduling. Successful disability management efforts with aging workers will hinge on the availability of telecommuting, flexible time, and work redesign options.

Thus, maintenance of a productive workforce as the average age increases will require concerted effort from health care providers, policymakers, insurers, and employers to optimally manage chronic conditions, track and respond to disability trends in the workforce, improve or maintain functional abilities, and retain or return employees with disabilities to work. The following public policy initiatives would support the efforts of employers to attain these goals:

- An integrated, seamless disability benefit system linking income support and return-to-work services regardless of the cause of an individual's disability;
- Confidentiality regulations that protect individual medical information while assuring that employers and insurers have access to the health and disability information needed to improve employee and organizational health and productivity;
- Tax incentives for employers who practice effective disability management; and
- Safety, health, and disability discrimination regulation which promotes workplace flexibility and rewards efforts of innovative employers.

Figure 1 How Have Costs Changed as a Percentage of Payroll over the Past Three Years?



SOURCE. Washington Business Group of Health and Watson Wyatt. *Staying @ Work—Increasing Shareholder Value Through Integrated Disability Management*, 1999, Washington, D.C.

Figure 2 Popularity of Disability Management Activities

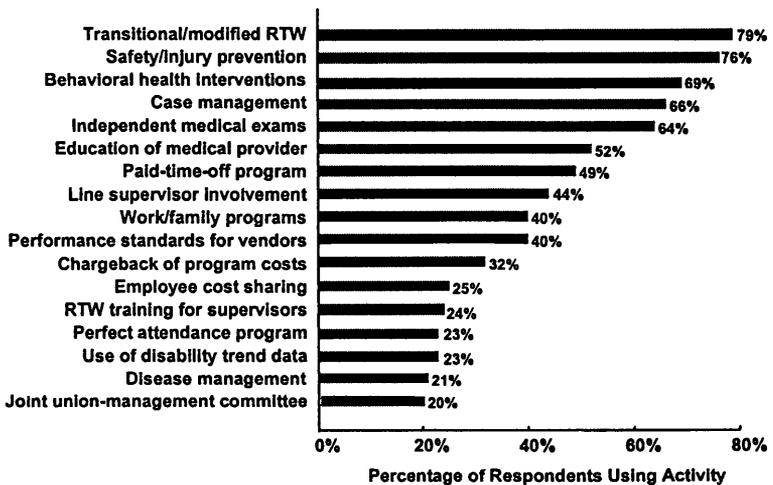


Figure 3a Effectiveness of Top Four Disability Management Activities in Decreasing Workers' Compensation Costs

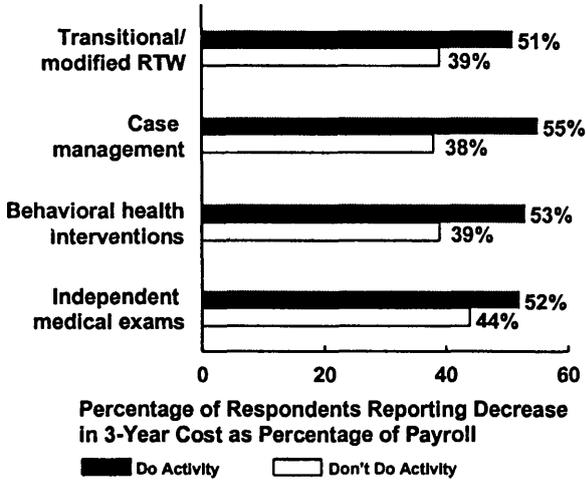


Figure 3b Effectiveness of Top Four Disability Management Activities in Decreasing STD Costs

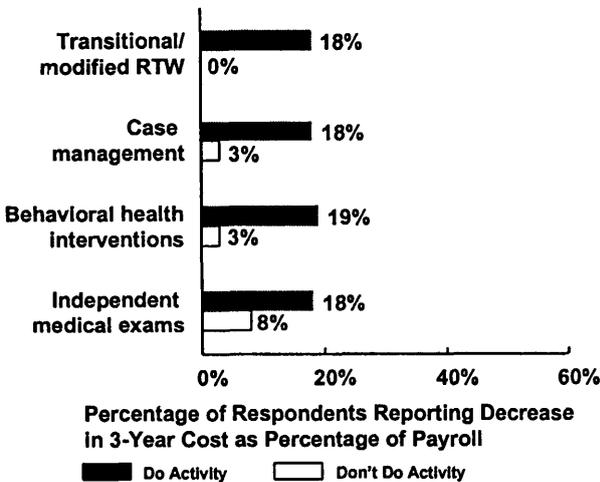


Figure 3c Effectiveness of Top Four Disability Management Activities in Decreasing LTD Costs

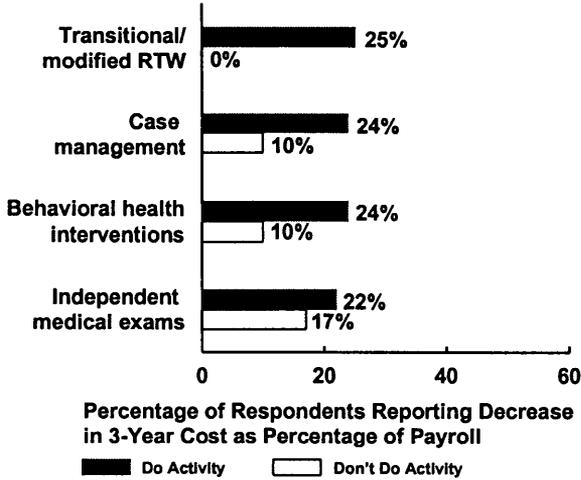
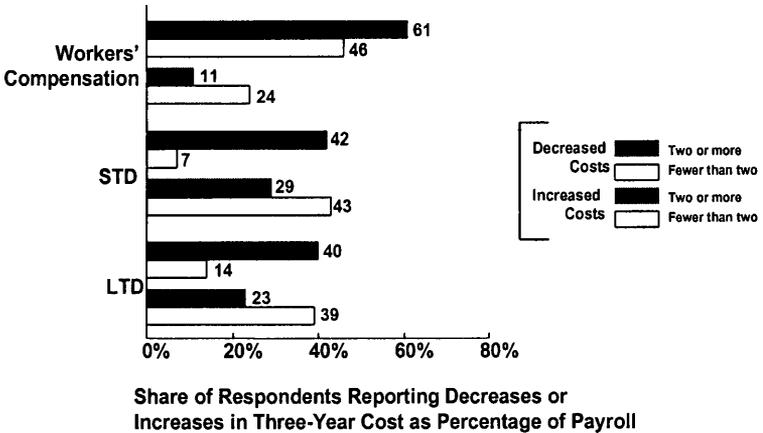


Figure 4 Effect of Integrating Multiple Program Elements across Workers' Compensation, LTD and STD



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