Intelligent Integration: The Value of Coordinating Disability and Medical Coverage

By Barton Margoshes, MD

For employers seeking to reign in health care costs, minimize employee absences and increase worker productivity, the challenges and opportunities have never been greater than they are today. Consider the following trends affecting benefits administration:

**Costs.** Medical costs continue to rise faster than the overall inflation rate, and health care expenditures represent an ever-increasing percentage of the national gross domestic product.

**Employee contributions.** Employees’ contributions for overall health benefits are reaching new heights. By 2006, it is estimated the average family health insurance premium will exceed $14,500; premium costs will have increased by more than $5,000 in just three years.

**Workforce demographics.** A shift in demographics is rapidly changing the face of the American workforce and, ultimately, the delivery of benefits. The workforce of the next decade will be marked by older workers more likely to work into advanced age because of lower retirement savings, record numbers of women, a more ethnically diverse workforce, and more working uninsured.

**Productivity pressures.** Employers are trying to do more with fewer resources and anything that further diminishes productivity is unacceptable. Health issues cause both absenteeism and presenteeism — the term commonly used to describe an employee who is at work, but not fully effective — which, when combined a dwindling workforce creates a severe, compounded productivity decline.

**Administrative simplicity.** Simplicity is more critical than ever as managing health and benefits plans grows more complex and benefits staff continue to shrink. Benefits administration needs to be streamlined for both employers and employees.

With these challenges as a backdrop, the key question employers are asking themselves today is: Can a closer linkage between disability and health care programs begin to address the rising overall costs and loss of productivity that companies are experiencing in their benefits program?

Thankfully, the answer to this question is a resounding yes.

Last year, CIGNA examined more than 60,000 of its short-term disability claims in a study structured to identify disability, medical, pharmacy and mental health cost relationships and drivers. The objective was to understand more about the relationship between disability and medical outcomes, determine if coordinated processes help reduce the length of disability and improve return to work, and identify other measures that might prevent illness and injury and spare employees from time lost from work.

An important backdrop to this study, which also underscores the importance of this research, is a paradigm shift in how disability and health care benefits are being addressed. In the old world, a disability event began with a claim being filed and ended with a successful return to work. Direct costs associated with the disability were primarily a salary continurance from the employer’s perspective.

In today’s world, however, a disability event is viewed as a window into the overall medical cost picture. There likely are medical costs that occur well before the disabling event such as testing, exams or pharmacy costs and can serve as an alert to an impending disabling event. While disabled, an employee will most likely incur additional medical costs from the condition that caused the disability, as well as from complications or co-morbidities that could be unrelated to the condition, such as depression. And even after the employee returns to work, there may be additional medical or pharmacy costs, not to mention lost productivity costs.

The results of this study not only confirmed this paradigm to be true, but delivered some sound advice for effectively coordinating and integrating disability and health programs.

**Top Findings**

1. The duration of the disability and return to work are better for individuals with coordinated disability and health care coverage through the same carrier.

The study found that disability durations were 12 percent shorter (on average, seven days) and return to work rates were 6 percent higher for individuals with a single carrier for health and disability and coordinated case management.

Shorter durations and better return to work results mean, for an employer with 3,000 employees, between $100,000 and $168,000 in direct disability cost savings per year and up to $500,000 in indirect costs, such as replacement of employees who are out of work.

2. A quarter of “medical episodes” leading to a disability stem from chronic health issues like heart disease, diabetes, and lower back pain. These chronic health issues account for 56 percent of short-term disability (STD)-related medical costs.

It is well known that disease management is a program designed to optimize treatment for individuals with chronic conditions improves health outcomes and lowers medical costs. Now it appears that disease management has a role in reducing disability costs, improving productivity, and even preventing a disability from occurring in the first place.

These results speak volumes about the potential to improve the management of chronic disease, which accounts for the biggest single share of medical costs. While chronic disease is likely to result in multiple disability occurrences, it is manageable through disease management programs.
Disease management is designed to enhance an individual’s health status. Healthier individuals with chronic diseases will have fewer relapses and shorter durations of disability. Through onsite health risk assessments by employers, companies can identify employees with chronic conditions, better predict their medical plan costs based on chronic disease prevalence in the workplace, and help employees better manage their health. Once employees with chronic disease are identified, companies can establish prevention and intervention programs that focus on lifestyle changes like nutrition and exercise, provide health education, and make improvements in workplace ergonomics.

Additionally, disabled employees who participated in CIGNA’s cardiac and low back pain disease management programs experienced shorter durations of disability and a lower incidence rate of disability than a similar group of employees not engaged in these programs.

3 Almost half (45 percent) of the STD associated mental health expenses were associated with non mental health disabilities. In other words, a significant amount of mental health resources and expenses are associated with individuals who have physical disabilities.

Employees may become disabled because of one diagnosis, but may experience depression or another mental health problem that further complicates the diagnosis. With patients in disease management programs, depression is present in 7 percent with cardiac disease and diabetes, 11 percent with asthma, and 37 percent with low back pain, according to CIGNA Behavioral Health data.

What this means:

Health and disability professionals must be prepared to take a more holistic view of an individual’s disability. Recognize the likelihood of depression, disabling stress or another mental health factor as a hurdle in overcoming disability, and understand when and how treatment is needed. Diagnosing mental health issues early and establishing early treatment are critical steps in managing disability. Having work/life assistance or an employee assistance programs (EAP) in place at work can go a long way toward helping to prevent disability and aid in a faster recovery from within the medical community. For example, return to work is not traditionally viewed as a conventional health outcome by many providers. Yet returning an employee to work has a significant influence on an employer’s direct and indirect costs from disability combined with medical care costs and productivity losses. The health and employee benefits communities both need to view the impact of disability differently from overall health care. This will result in better prevention, improved wellness, and lower medical costs and less time lost from work.

There is work still left to do to fully appreciate the link between the disability and health care experience, and to enhance and improve intelligent integration between the two platforms. However, over time, integration of these programs may truly be the much sought after “missing link” that employers are seeking when it comes to total benefits cost control, productivity gains, and meeting the needs of a changing workforce.

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