



WORDS ON WISE MANAGEMENT

Chronic illnesses: a plague on both houses

by Maria Reed

With the implementation of the Affordable Care Act (ACA), there has been extensive speculation that Americans with chronic illnesses will be not only the biggest beneficiaries of the healthcare law but also its biggest threat if not enough healthy customers sign up for insurance to balance out the healthcare costs of sick individuals. The government soon may be able to commiserate with businesses: Chronic illnesses have jeopardized their success for years. Absenteeism due to employees' chronic health conditions costs U.S. companies \$84 billion annually in lost productivity, according to the Gallup-Healthways Well-Being Index published in October 2013.

How much is absenteeism costing your company?

Managing unscheduled absenteeism requires a significant commitment of time, capital, and skilled staff. U.S. Department of Labor (DOL) officials estimate that up to 5% of the average employer's workforce was absent on any given day in 2010. In 2005, Circadian published a white paper asserting that unscheduled absenteeism costs roughly \$3,600 per year for each hourly worker and \$2,650 per year for each salaried employee. For an organization with 5,000 employees, that results in a potential loss of approximately \$18 million per year. According to the Employment Policy Foundation, half of employees who took Family and Medical Leave Act (FMLA) leave in 2004 did not give advance notice, which resulted in direct costs of \$21 billion in 2004.

Because administering FMLA leave and other programs is not a strategic administrative function, over-stretched HR managers struggle to handle those issues consistently and efficiently, exposing companies to litigation. In 2007, the Society for Human Resource Management surveyed the impact of the FMLA on employers. More than half of HR professionals reported challenges with FMLA leave, including tracking intermittent leave, chronic abuse of intermittent leave, morale problems with employees asked to cover for absent coworkers, costs associated with lost productivity due to employees' absences, vague documentation from healthcare professionals, and uncertainty about the legitimacy of leave requests.

Since the FMLA's inception, the DOL has filed almost 7,000 lawsuits against employers as a result of violations of the Act, costing more than \$37 million in civil monetary penalties. According to a 2010 Kronos/Mercer survey, settlements typically cost up to \$30,000.

Contain the damage

Circadian estimates that implementing an absence management program could save employers 3.2% of payroll costs, or \$7.9 million for a company with 5,000 employees. Finding the right absence management program can be a challenge if you are unaware of the potential benefits. Look for a Web-based system that eliminates manual processes, which are by far the most time-consuming aspect of leave administration. The system should accurately assess leave eligibility, track leave entitlement and use precisely, incorporate all federal and state leave law administration rules, and properly apply state-specific leave laws based on employees' worksites.

The system should provide employees access to self-service features for absence reporting, leave information, and trend reports. Outsourcing absence management duties (especially FMLA leave) to experts shifts the administrative burden and legal risk away from your HR department, allowing HR personnel to focus on essential business objectives. If you choose to outsource, the third-party administrator should do all the work while maintaining compliance (e.g., provide a dedicated call-in line, answer your employees' questions, methodically process requests for leave, and send required forms and letters).

Once in place, an absence management program will drastically improve and streamline your organization's leave processes, decrease the resources you devote to absence management, and allow HR to focus on supporting employees in achieving goals that are important to the company. Most important, the program will ensure fair, accurate, and consistent leave administration for all employees, regardless of your organization's size.



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