

# The Impact of Absence Reduction on Controlling Health Care Costs

Presented by:

**Edward L. Anderson, MD**  
*Executive Vice President, LCG*

**Kyle Corum**  
*Associate Director, AT&T Operations, AT&T*

**Deborah LaBonar, PhD**  
*Senior Director, LCG*



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# Agenda

- Setting the Stage
- Identifying the Business Problem
- Describing the Approach
- Diagnosing Absence Drivers
- Implementing Change
- Measuring Program Outcomes
- Conclusions

# Introduction

- Our mission: Help organizations reduce absenteeism, reduce and control rising health care costs and improve corporate performance
- Understand the problem from the frontline – the Operations Leader’s perspective
- Our approach is a new way to solve an old problem
- The solution requires a “shared accountability” between HR and Operations
- Requires data integration, statistical analysis and implementation of targeted solutions, unique to each workgroup

# Introduction

- We will show the linkage between reducing absenteeism and controlling health care costs in the same organization, involving the same employees, over time
- This process is replicable and can be applied in multiple organizations

# Absence Metrics: Managing the Drivers

*Different drivers require different solutions*

**Total Days Absent = (Incidence Rate) X (Avg Case Duration)**



- Psychosocial factors
- Job satisfaction
- Workplace factors
- Organizational factors
- Selection
- Training
- Recruiting
- Health risk factors



- Timely claim reporting and follow-up
- Quality and timeliness of medical care
- Rigorous case management
- Responsive, modified work accommodation
- Effective communication between organization/claim manager
- Benefit plan design
- Sentinel effect



**Preventive  
Strategies**



**Case Mgmt  
Strategies**

# Absence Impact

**1,765** non-management, represented, call center employees

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**24.18** unscheduled absence days per employee per year

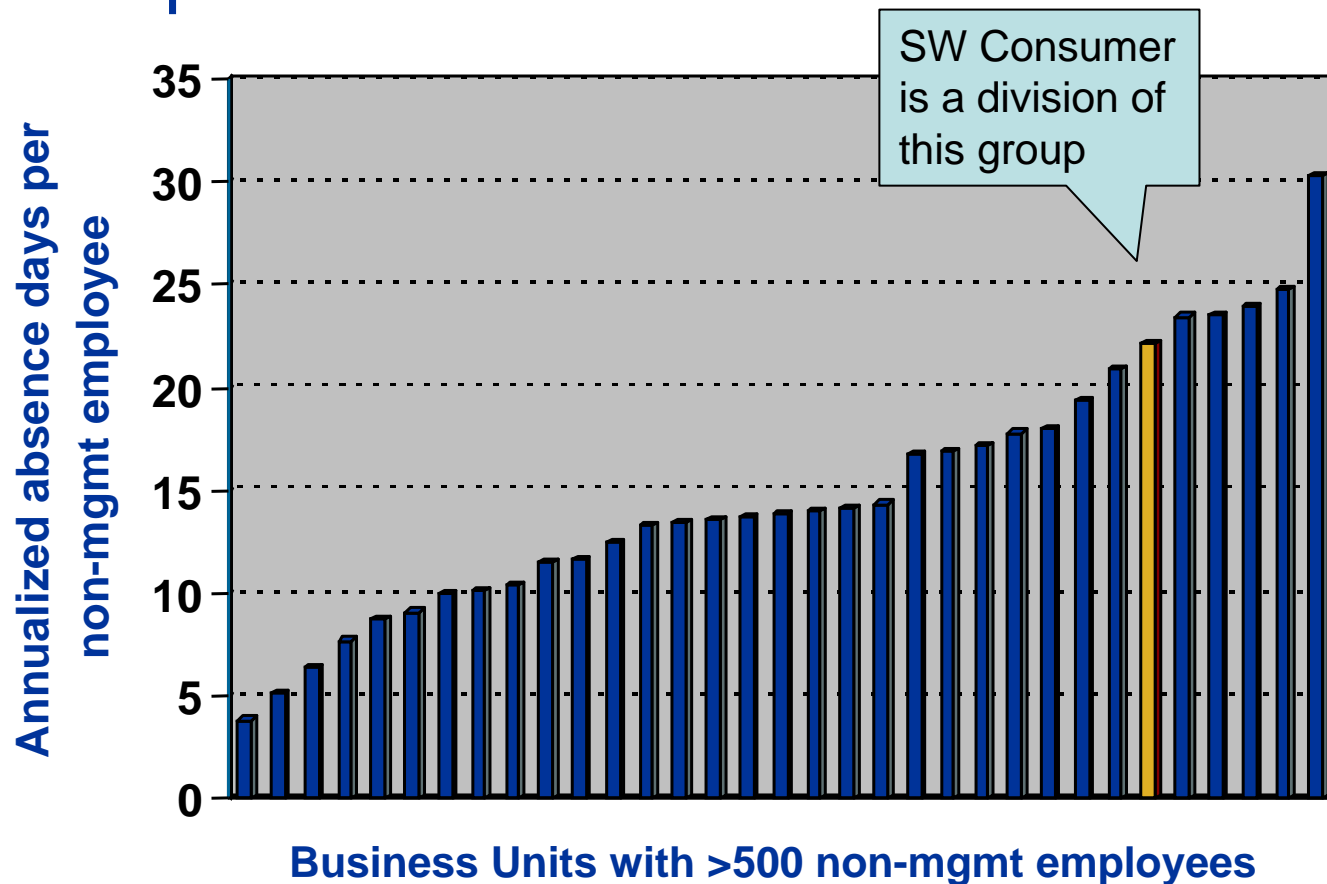
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**42,678** total unscheduled absence days per year

The annual direct wage replacement costs for our group was **\$8.5 million!**

# Benchmarking Analysis

In a benchmark analysis comparing SW Consumer to our peers at AT&T, we were trending toward the higher end of the spectrum.



# Searching for a Solution

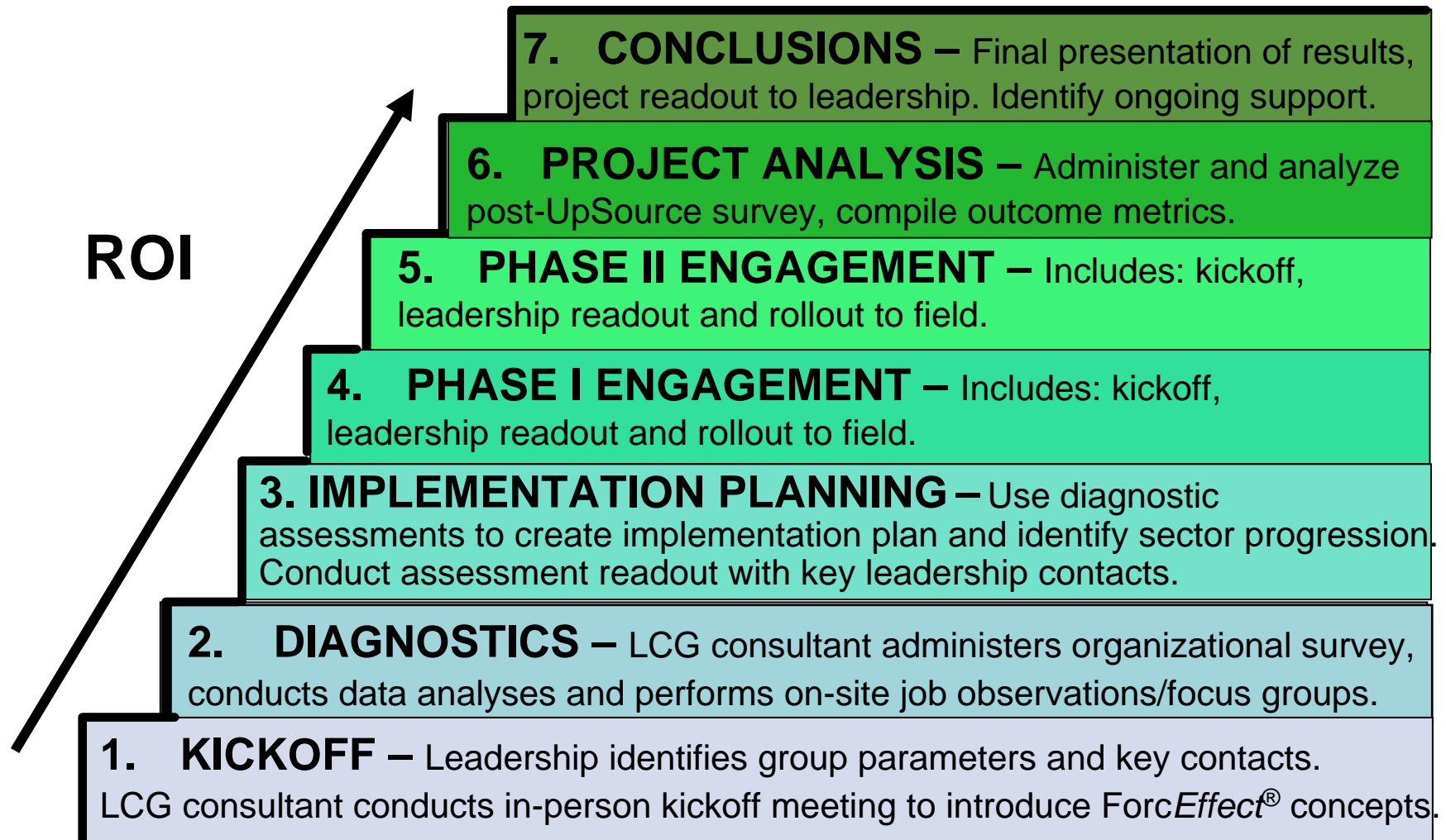
What we were looking for was...

- A targeted approach for identifying the root cause drivers of absenteeism and overuse of leaves
- A statistically-driven solution for reducing the incidence of medically-related, lost time events
- A program that would track improvement in attendance, culture, and health care costs as well as operational/financial metrics (e.g., productivity, quality, safety)

# Searching for a Solution

- LCG has been partnering with AT&T since 1998 on the *ForcEffect*<sup>®</sup> initiative
- Within AT&T, this program has been utilized in >20 organizations covering >50,000 non-management, union represented employees
- SW Consumer was an ideal candidate for the *ForcEffect*<sup>®</sup> program

# Process Steps



# Diagnostic Process

A detailed diagnostic process included both quantitative and qualitative measures to assess the current state of absence management in this group.

A validated survey measuring current organizational culture.

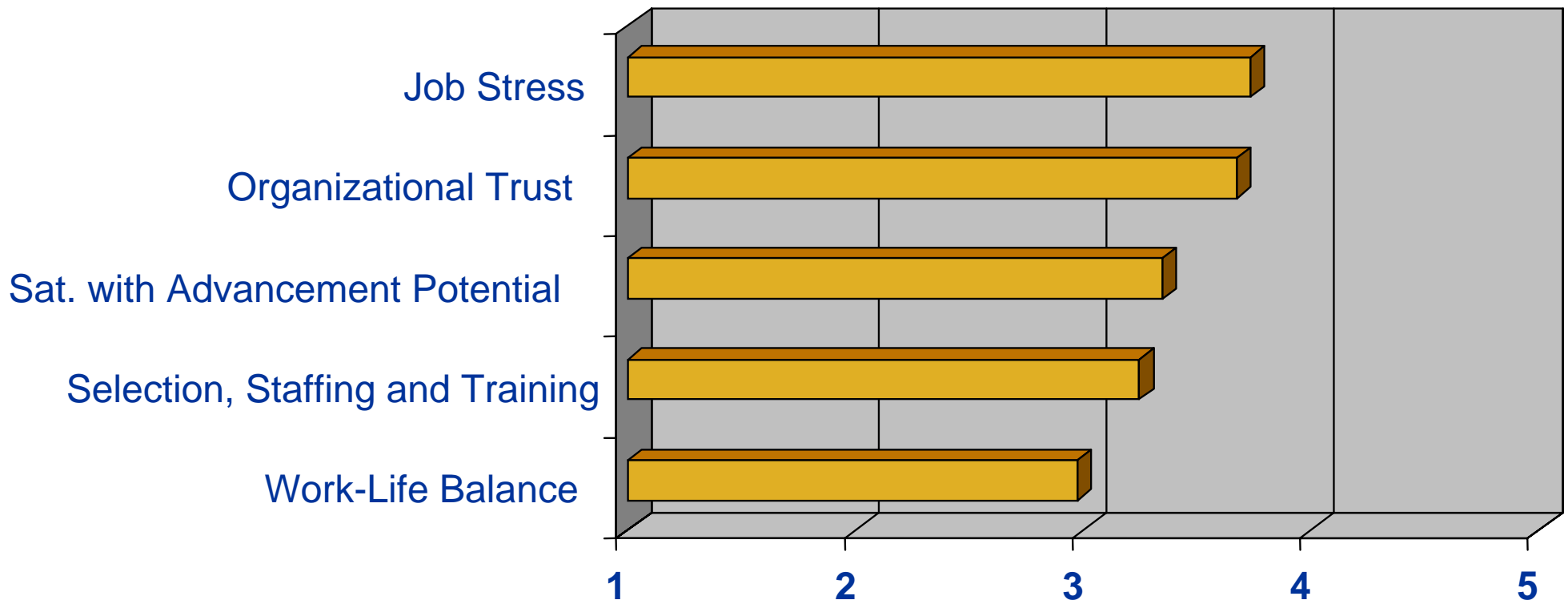
A detailed analysis of current incidental and disability absence trends.

On-site job observations with incumbents and supervisor focus groups.

# Survey Outcomes

Assessment of sixteen dimensions measuring the current status of the organizational culture.

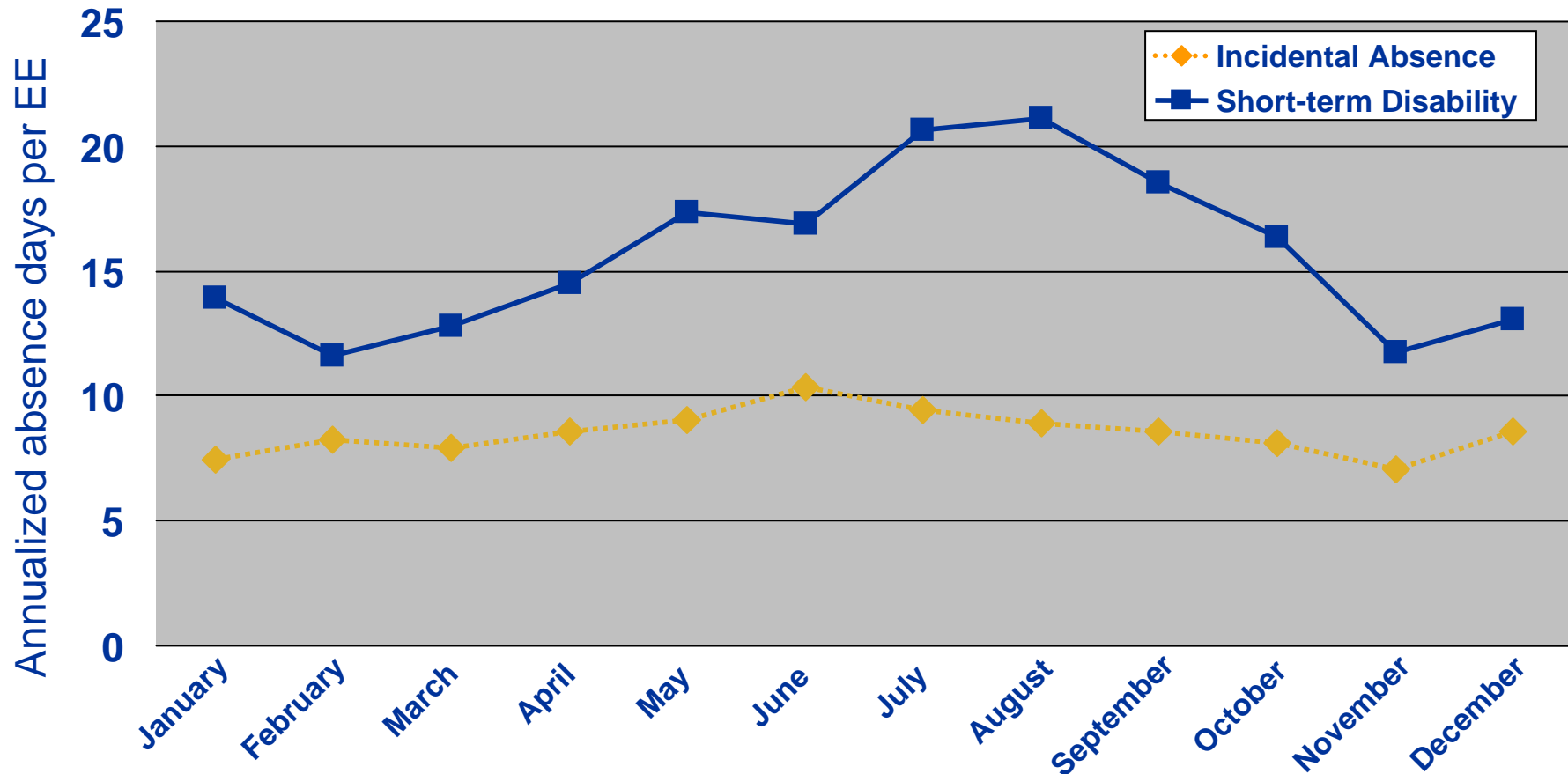
*Five dimensions receiving the lowest ratings*



Dimensions with lowest average ratings identify areas with immediate opportunity for improvement.

# Analytic Outcomes

Absence trends twelve months prior to ForcEffect® engagement.

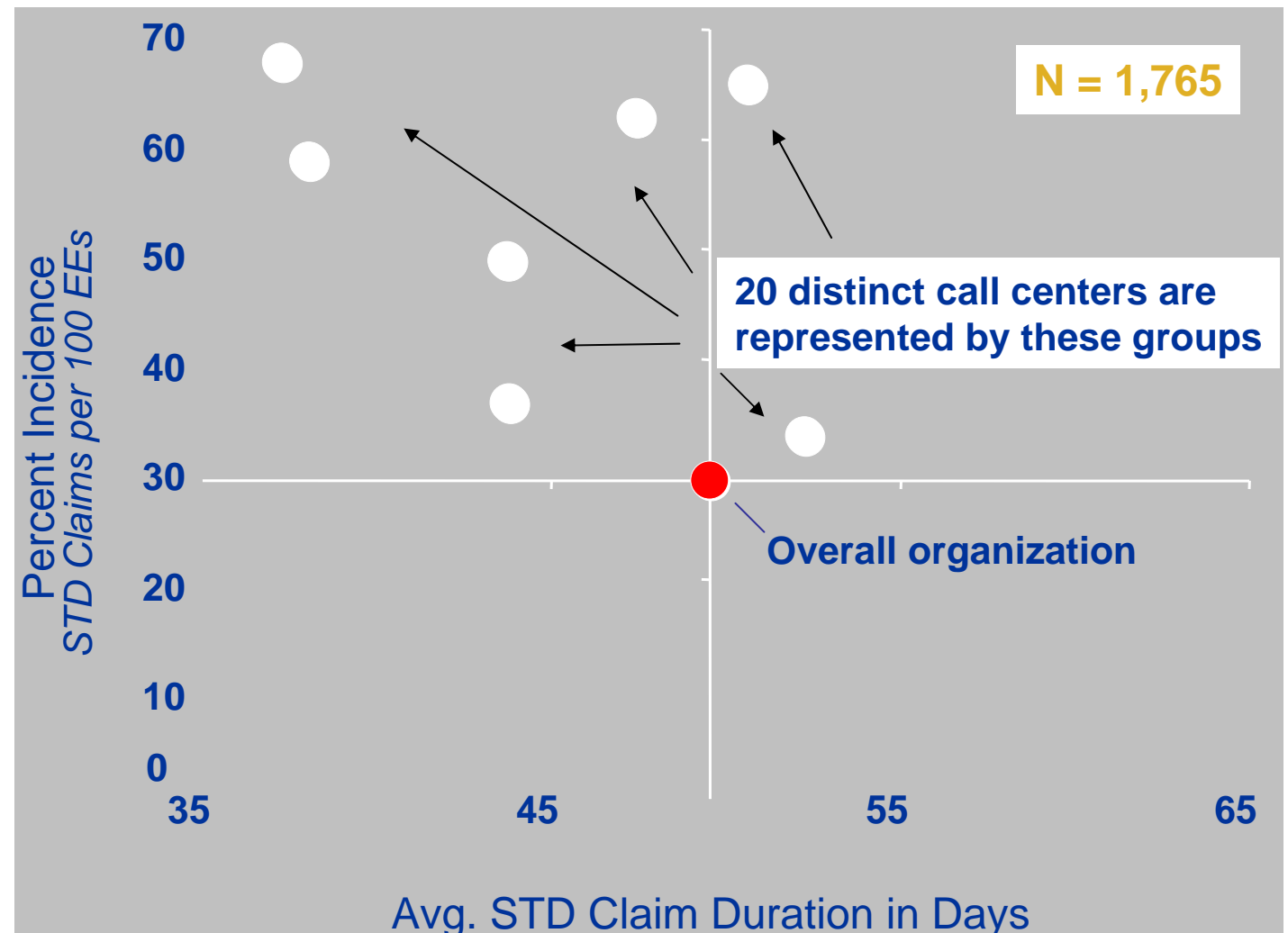


Both incidental and disability absences were trending high pre-ForcEffect®.

# Analytic Outcomes

STD incidence and duration of sub-groups as compared to overall organization.

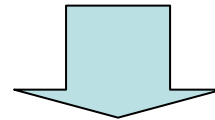
High incidence suggests organizational causes of STD, rather than poor case management.



# Examples of Root Cause Drivers

## Drivers

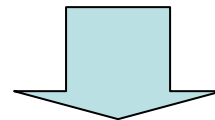
- Employees often face obstacles that make it difficult to get to work
- Employees do not use all means available to them to deal with personal issues that prevent them from coming to work
- Employees do not understand the reasons why they can't get time off to deal with personal issues



## Work-Life Balance

## Drivers

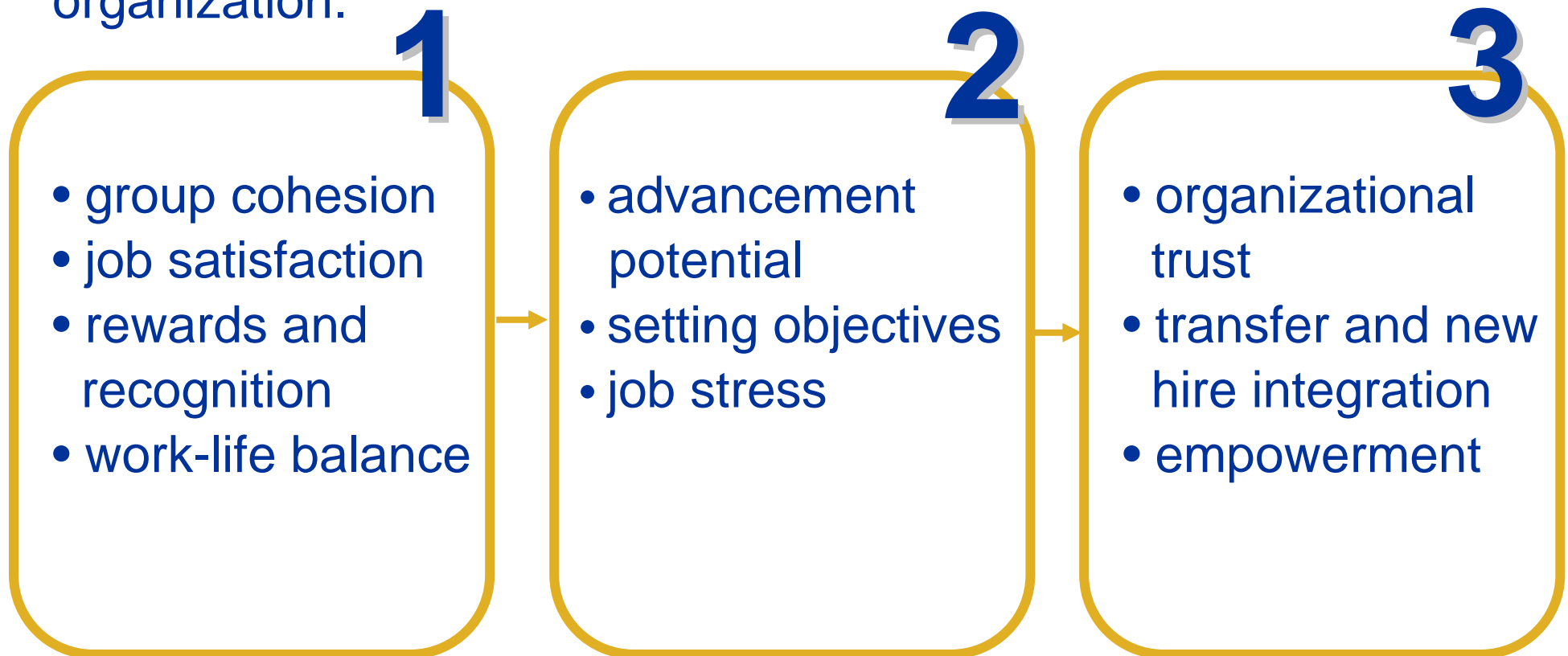
- Group absence trending performance/objectives not shared with non-mgmt
- Monthly individual attendance reviews are not consistently conducted with non-mgmt
- Attendance and performance discussions are not tied together
- Performance goals are often stressed over attendance goals



## Setting Objectives

# Recommendations

The recommendations for this organization focused on ten issues to be implemented in three phases. The first phase recommendations addressed the most immediate needs for the organization.



# Implementation

## Shared accountability

- Senior leader and HR sponsors ensured ongoing support and commitment to the program.
- Implementation Team of 15 first and second level supervisors was formed.
  - Co-leaders were a member of the customer team and the LCG consultant.
  - Bi-weekly meetings held throughout nine months of ForcEffect<sup>®</sup> initiative.

# Intervention Implementation

The three phased implementation process was divided into three four-month stages.

At the beginning of each phase, the LCG consultant introduced each issue and discussed the corresponding recommended interventions.

Each issue had between two and six recommended interventions associated with it, and generic templates for them were provided by the consultant.

# Examples of Interventions

## SAMPLE MATERIALS

### Types of Interventions

- Job aid
- Seminar
- Communication
- Event
- Reference
- Other

### Rewards & Recognition: Recognition Certificate

[ EXCELLENT ATTENDANCE ]  
1<sup>ST</sup> Quarter

*This certificate is being awarded to*  
*Thank you for showing your commitment by*  
*being at work everyday as scheduled!*

Associate Sales Director \_\_\_\_\_  
General Manager \_\_\_\_\_

### Work-Life Balance: Back-up plans

**EMPLOYEE EMERGENCY BACK UP PLAN**

Date: \_\_\_\_\_  
Employee Name: \_\_\_\_\_  
Manager: \_\_\_\_\_

This document is designed to assist each employee in developing a plan in case an emergency should arise. It is designed to help employees to be pro-active and structured while giving them the confidence that they need to handle difficult situations.

**PLANS FOR ALTERNATE CARE FOR CHILD/ FAMILY MEMBER:**  
1. What is your plan in the event that your child or a family member becomes ill or needs assistance?  
a. \_\_\_\_\_  
b. \_\_\_\_\_  
c. \_\_\_\_\_

**PLANS FOR TRAVEL:**  
2. If you drive yourself to work each day and incur transportation problems what is your plan to arrive to work on time as scheduled or as soon as possible?  
a. \_\_\_\_\_  
b. \_\_\_\_\_  
c. \_\_\_\_\_

**PLANS FOR GOOD HEALTH:**  
3. What can you do to help prevent your own personal illness?  
a. \_\_\_\_\_  
b. \_\_\_\_\_  
c. \_\_\_\_\_

### Advancement Potential: Leader Development

*There are many different modes – I use formal means of communication when they are warranted, but I also spend time talking to my employees every day.*

Open lines of communication are the first step to building understanding, trust, better interpersonal relationships, and more cohesive teams.  
Communication is a two way street – it is just as important to listen to your employees as it is to provide information.

**GENERAL PRINCIPLES FOR COMMUNICATION**

**DO:**

Communicate Frequently and Use Different Modes:

- Make an effort to share company news with your employees on a regular basis
- Send celebratory e-mails and group voice mails – follow up with recognition and praise during team meetings
- Share good AND bad news with the team

Listen Actively

- Check for understanding and ensure that the message was received (e.g., send a group voice mail, but follow up in a team meeting)
- Listen without judgment

Establish an “open-door” policy for employees to touch base on a regular basis

- Provide honest feedback
- Communicate goals and current progress towards those expectations
- Communicate appreciation as equally as discipline
- Say “Thank You” often

*Research suggests that establishing effective communication channels is associated with employee perceptions of justice and fairness in the workplace. Fairness is very important for maintaining morale, and perceptions of injustice lead to withdrawal and increases in turnover!*

**DON'T:**

- Don't share confidential information
- Don't say “I'm listening” and then not do it
- Don't be dishonest – it will come back to haunt you
- Don't feel like you have to know all the answers

Sub-teams assigned to each topic area had responsibility for modifying templates and creating a rollout strategy. Final proposals presented to leadership for approval prior to implementation.

# ForcEffect<sup>®</sup> Metrics

ForcEffect<sup>®</sup> success is measured quantitatively through reductions in absenteeism and reductions in health care costs and utilization.

Outcome Metrics	Cost	Lost Time	Utilization
Annualized Absence Days per EE		✓	
Annualized STD Cases per 100 EEs		✓	
Wage Replacement for Lost Days	✓		
Amount paid by Plan per EE	✓		
Amount Paid by EE per EE	✓		
Total Paid per EE	✓		
Outpatient Hospital Visits per EE			✓
Inpatient Hospital Visits per EE			✓

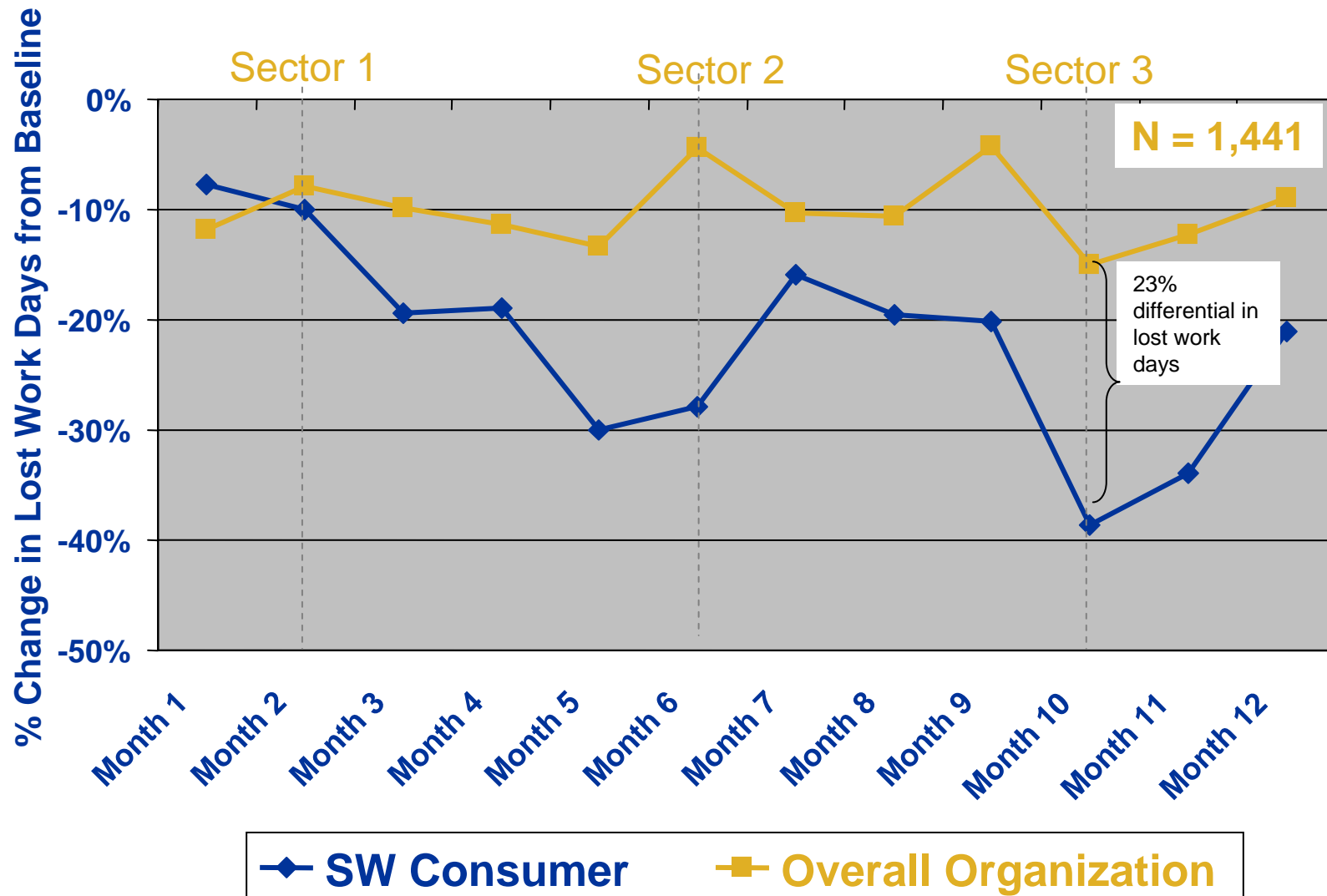
# Measurement Methodology

## Absence metrics:

- are based on **non-management** populations only
- are **rate-adjusted** on an annualized, per-employee basis
- utilize a **comparison group** of their own pre-ForcEffect<sup>®</sup> baseline, and of the overall organization
- calculate **cost savings** based on an average daily salary of \$200 per employee

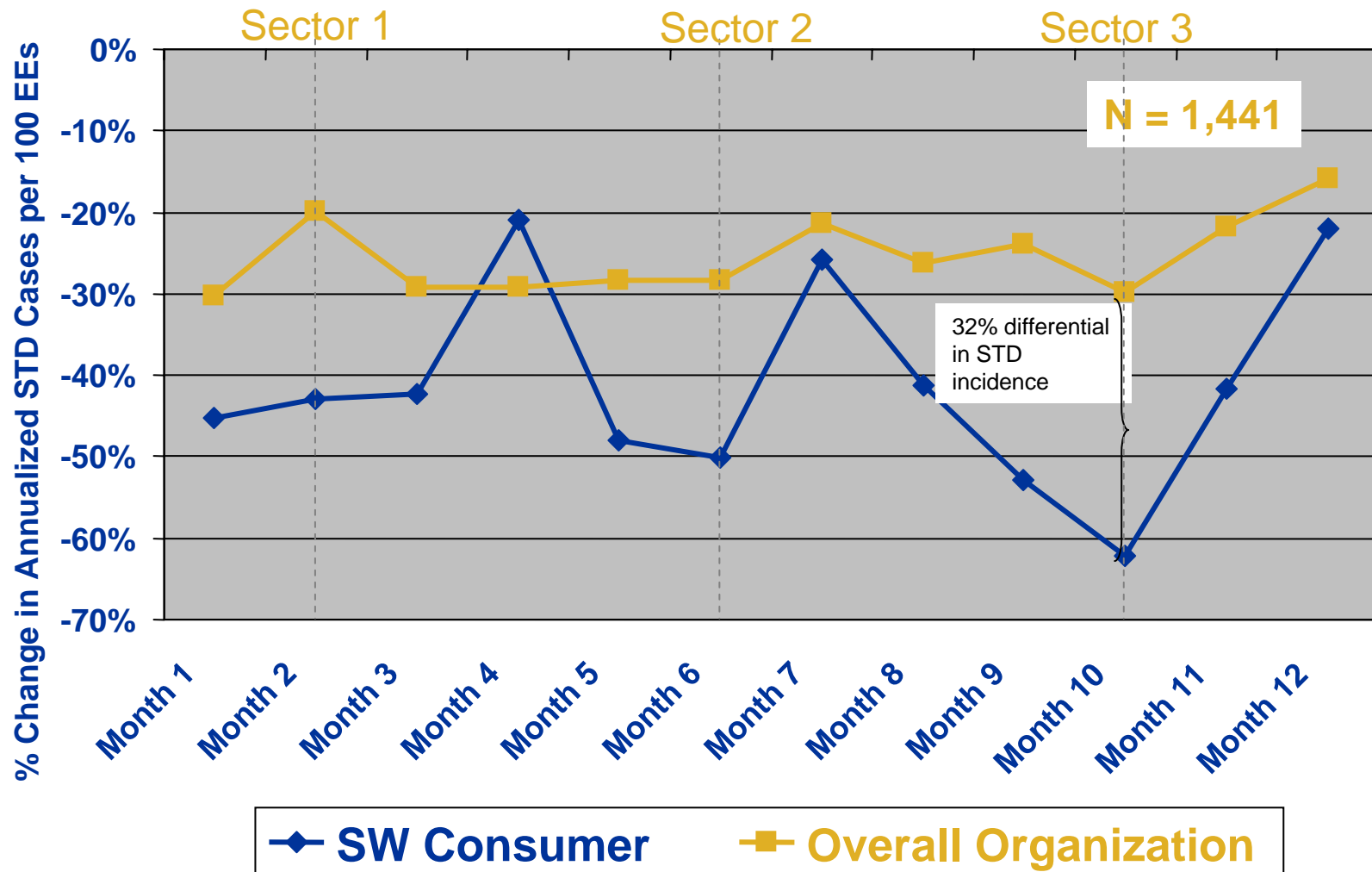
# Absence Outcomes

Absence trends for twelve months following ForcEffect® engagement as compared to a baseline of the prior year.



# Absence Outcomes

STD Incidence trends for twelve months following ForcEffect® engagement as compared to a baseline of the prior year.



# Absence Outcomes

Average lost work days per EE pre-ForcEffect <sup>®</sup>	24.18
Average lost work days per EE post-ForcEffect <sup>®</sup>	18.93
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Lost work days per EE reduction =	5.25
<b>Percent reduction =</b>	<b>21.7%</b>

STD cases per 100 EEs pre-ForcEffect <sup>®</sup>	48.17
STD cases per 100 EEs post-ForcEffect <sup>®</sup>	34.08
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STD cases per 100 EEs reduction =	14.09
<b>Percent reduction =</b>	<b>29.3%</b>

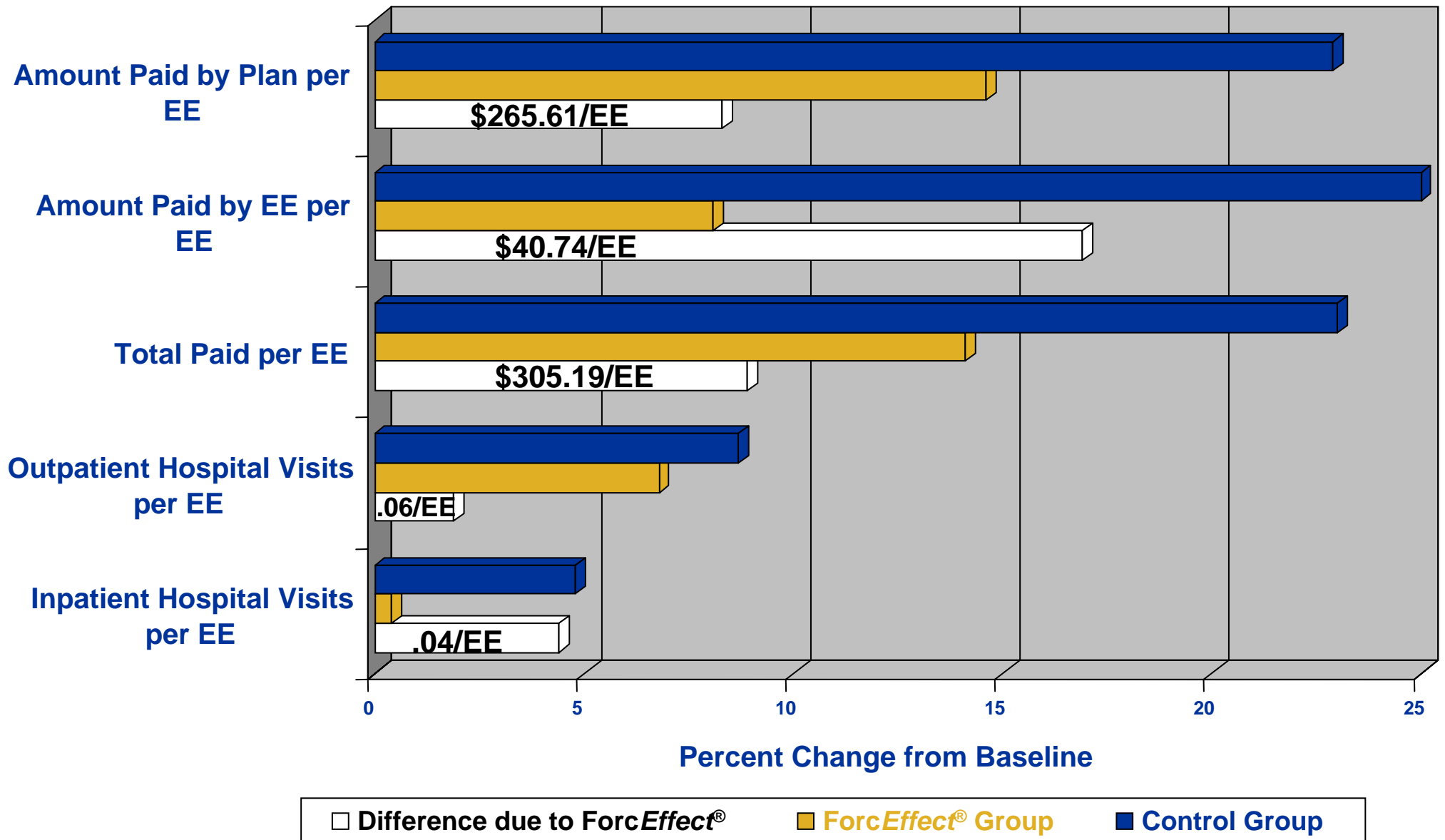
The direct wage replacement savings for this group for the twelve months following ForcEffect<sup>®</sup> were **\$1,050 per employee.**

# Measurement Methodology

## Health care metrics:

- are based on **non-management** populations only
- utilize a **control group** matched by zip code and health care plan
- compare pre-engagement **baseline** rates to post-engagement rates for both the control group and the SW Consumer group
- consider an **unchanging population** by including only those employees who were part of the target groups during both time periods

# Health Care Outcomes



# Health Care Outcomes

	ForcEffect® Group % Change	Control Group % Change	Difference in % Change
Amount paid by Plan per EE	14.60%	22.85%	8.26%
Amount Paid by EE per EE	8.11%	24.96%	16.85%
Total Paid per EE	14.14%	22.97%	8.82%
Outpatient Hospital per EE	6.76%	8.67%	1.91%
Inpatient Hospital per EE	.39%	4.84%	4.45%

The 8.82% savings in **Total Paid per Employee** translates into an annual cost savings of **\$305.19 per employee.**

# Overall Outcomes

- Total Cost Savings
  - Between the **direct wage replacement** savings and the **health care cost** savings, the per employee savings for this group was **\$1,355**.
  - For our organization of 1,441 employees, this translated into a total savings of **\$1.9 million**.

# Overall Outcomes

- Additional impacts on the organization
  - Improved Revenue/Productivity
  - Improved Call Volumes/Accessibility
  - Improved Customer Experience
- Best in Class five years in a row!

# Overall Results - Five Organizations

- Absence Outcomes
  - Across five ForcEffect<sup>®</sup> organizations, reductions ranged from 19% to 29% in absence days and from 25% to 46% in STD incidence.
- Health Care Outcomes
  - All five ForcEffect<sup>®</sup> organizations recognized substantially reduced rates of change between baseline and post on health care metrics.
- Total Cost Savings
  - The total financial impact of ForcEffect<sup>®</sup> on these five organizations ranged from \$1.8 million to \$5.7 million.

# Conclusions

- Actions that reduce absenteeism also directly impact on the cost of health care for an organization
- Innovative solutions, based on objective data, interpretation and targeted actions, result in positive outcomes
- It is a shared accountability model that addresses the root causes of absenteeism
- The ultimate value of this approach is helping organizations optimize the management of their human capital through an investment in their people