



THE VIEWSLETTER

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THE IMPORTANCE OF EFFECTIVE LEAVE OF ABSENCE MANAGEMENT

Absence management is the process an employer uses to handle absences whether they are due to illness or injury. The process often includes absences covered by the Family Medical Leave Act (FMLA), and even workers' compensation. The goal of a well-managed process is to control unexplained, unscheduled or excessive absenteeism. Employers must take care as their process must also meet legislative requirements prescribed by the FMLA, Americans with Disabilities Act (ADA) and state leave-of-absence or short-term disability laws.

According to Mercer's 2013 Survey on Absence and Disability Management, the direct cost for incidental absence and disability benefits on average is the equivalent of 4.9% of payroll. Unplanned absences result in indirect cost such as replacement labor and lost productivity. Mercer estimates that indirect costs are roughly the same as direct costs with the total impact averaging 8% of payroll.

More and more employers are looking for help managing leaves of absences. Outsourcing FMLA compliance is becoming more popular. In 2010, only 25% of respondents outsourced FMLA administration. It has increased to 38% in 2013.

The absence management process has become more complex over the last decade. Many employers find the FMLA confusing, especially when they try to administer intermittent leaves. What's more, the ADA regulations revised in 2009 define disability very broadly. Employers must establish a process to interact with employees in regard to work and potential disability limitations. They must also conduct individual assessments and make reasonable accommodations for employees returning to work from a disability leave. In Mercer's survey, 90% of respondents manage and track the interactive assessment process under the ADA in house. State laws differ as well, thus complicating matters even further. These factors really challenge employers trying to manage the process in-house.

Following best practices in absence management is critical. Employers that outsource part of the process should make sure their vendors are incorporating as many best practices as possible. Below are five best practices for absence management programs:

1. Develop a written return-to-work policy. The policy should clarify that disability and workers'



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compensation programs are separate from FMLA leaves. The policy should include light duty alternatives and state that these alternatives may be required to continue receiving benefits under workers' compensation or disability. It should also state that light duty return-to-work requirements may not apply to FMLA leaves based on a serious health condition. In those cases, employees may continue their FMLA leave even if they do not accept the light duty alternative. They will lose disability or workers' compensation benefits, but they may still be eligible for job protection under the FMLA. Also, the return-to-work policy should include the ADA's interactive process. This process involves using individual assessments and making reasonable accommodations as part of the return to work.



2. Adopt a process to refer employees to any health management programs available. For example, an employee on leave who has cancer might benefit from a referral to the EAP. The process should simply make

referrals to help employees in challenging situations.

3. Establish a central leave reporting system. Ideally, all absences would be reported to a single line or a designated e-mail address. Those staffing the line or receiving the emails would understand how

all the leaves of absence work, from sick days to short-term disabilities. The intake person would classify the type of leave; for example, sick leave, disability, workers' compensation or FMLA leave. Once the leave is classified,

administrative staff can send out the proper notifications and paperwork for that type of leave.

4. Develop detailed reports on leave of absence activity. Most employers have some employee abuse when it comes to absences. By combining all the leave instances and reasons into one database, employers should be able to identify potential abuses more easily. A popular abuse is consistently taking FMLA intermittent leave on Fridays and Mondays to extend weekends.
5. Use the same vendor, if possible, to manage FMLA administration and short- and long-term disability. The advantage of using the same

vendor for both short- and long-term disability is that the vendor can intervene earlier and foster a return-to-work mentality.

Unfortunately, most employers are not using these best practices to manage leaves of absence. They also do not understand the impact of the ADA on the leave process. This law requires the return to work process to include an interactive assessment in order to discuss potential accommodations.

Because disability carriers now commonly offer leave of absence administration services, employers may want to consider outsourcing. The carrier options vary widely. Some offer software systems the employer can use to help track and manage FMLA issues and leaves of absence. Others also administer the FMLA for an employer. Still others offer ADA administration or ADA advice.

One of the clear benefits of outsourcing is access to experts. The carrier will take all the steps needed under the FMLA. Most carriers have resources to manage state leave, disability and paid leave laws. Because this area changes so rapidly, multi-state employers will benefit greatly from these resources.

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DID YOU KNOW?

- Employee benefit costs average 32% of payroll
- For retirement benefits:
 - 32% of corporations offer a defined benefit plan; 75% offer a defined contribution plan
 - 90% of public employers offer a defined benefits plan; 59% offer a defined contribution plan
- 98% of employers offer a health care plan:
 - 97% cover prescription drugs
 - 76% cover chiropractic care
 - 75% cover mental health benefits
- 92% offer a dental plan with 58% offering orthodontia benefits
- 73% offer a vision plan

Source: 2014 International Foundation of Employee Benefit Plans' Benefits Survey

TREND TIDBITS

- \$ HMO plan costs are expected to increase 6.2% in 2015 (down from 7.2% in 2014)
- \$ PPO plan costs are expected to increase 7.8% in 2015 (close to the 7.9% in 2014)
- \$ High deductible health plans are expected to increase 7.9% in 2015 (down from 8.3% in 2014)
- \$ Prescription drug carve out plans are expected to increase 8.6% in 2015 (up substantially from 6.3% in 2014)

Source: 2015 Segal Health Plan Cost Trend Survey

In most cases, employers will outsource leave of absence management to a life or disability carrier. You should be aware of one potential downside of this outsourcing. If you need to change carriers, you will have to find another absence management vendor as well. This will make the process of reviewing and changing vendors more difficult.

Most employers admit they need help administering leaves of absence. Perhaps help means establishing a more central process managed by internal leave experts. It may mean investing in software that will help track and report on various leave situations or it may mean outsourcing to a disability or life carrier. Outsourcing to a standalone administrator is typically available only to employers with over a thousand employees.

It may be time to review your leave administration policies and processes. Your organization will likely benefit from improving your process. [MMA](#)

PAINKILLER PROBLEMS IN YOUR PHARMACY PLAN

Prescription painkiller misuse is a growing problem in the United States. Accidental overdoses are an epidemic according to the Centers for Disease Control (CDC). Unfortunately, employer-sponsored health plans are paying for much of this abuse. According to the CDC, non-medical use of prescription painkillers costs health insurers approximately \$72.5

billion annually in direct health care costs.

The problem occurs with prescription opioid or narcotic pain relievers, such as Vicodin (hydrocodone), OxyContin (oxycodone), Opana (oxymorphone), and methadone. Most employer plans cover these painkillers and in some cases employees actually need these medications. In other cases, these drugs are being abused.

Employer-sponsored health plans can take steps to avoid paying for the misuse of prescription painkillers. The CDC recommends insurers set up claim review programs to identify potential improper use of painkillers. Employers can ask what programs are available to help monitor and control prescription drug use.

Insurance carriers and pharmacy benefit managers (PBMs) have a number of programs to ensure appropriate use of painkillers:

- *Quantity limits* – The vendor can impose recommended frequency limits. For example, if Oxycontin should be taken no more than twice a day, the vendor would limit coverage to two Oxycontin pills a day.
- *Step therapy* – Painkillers can also be included as part of a step therapy program. Step therapy would require using a less

dangerous and less costly painkiller first before it will cover more addictive, more dangerous alternatives. If a step therapy plan includes painkillers, you need to make sure the vendor will quickly authorize a more powerful drug if lower level painkillers are not working.

- *Prior authorization* – A plan can also require prior authorization for opioids or narcotics. They would typically be approved for short-term needs like post-surgery and cancer treatment. Coverage would not be approved for longer term chronic pain, such as back pain, migraines and fibromyalgia.



PBMs often have programs designed to identify potential abuses. For example, one program may ensure that opioids or narcotics will not be covered for off-label uses. PBMs can also track the

prescriptions by member rather than pharmacy. That way, the PBM can identify excessive use patterns.

Abuse of prescription painkillers is a significant problem in the United States. Employers need to be mindful of how their plans may contribute to this issue. If their health plan covers these opioids or narcotics, employers should make sure it pays for these medications only when they are needed. [MMA](#)

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TECHNICAL CORNER

Technology has made working remotely a real possibility for many professionals. OnStar can now turn certain vehicles into “wifi” hot spots. These technological advancements increase the likelihood that your employees may be distracted while driving.

According to the National Highway Traffic Safety Administration, each day in the United States, more than 9 people are killed and more than 1,153 people are injured in crashes involving a distracted driver.

Distracted driving is doing something that takes your attention away from driving. It increases the chance of an accident. Below are the three common types of distractions:

- Visual distractions: taking your eyes off the road
- Manual distractions: taking your hands off the wheel
- Cognitive distractions: taking your mind off of driving

Cell phones, texting and in-vehicle technologies (such as navigation systems) can also distract drivers. Although using any of these while driving can cause an accident, texting or replying to email is especially

dangerous because it combines all three types of distractions.

Employees often try to work while they drive. Employers that allow and maybe even encourage this practice face potential liability. They should have a policy on distracted driving stating clearly that employees should pull over if they need to conduct business on the road. The policy should be broad enough to cover all forms of distracted driving, not just using hands-free devices. Most important, the policy should be practical and enforceable. [MMA](#)

YOUR QUESTIONS

Q: We provide health insurance through a fully insured plan paired with a self-funded health reimbursement arrangement (HRA). We are preparing for the reporting requirements. We know we have to complete Form 1095 Cs for all of our full-time employees. Do we also need to complete Part III because we have a self-funded HRA?

A: This question is not answered directly in the instructions for completing the forms. Hopefully, the government will clarify this fairly common situation. Part III is used to verify coverage for the individual mandate. The insurance carrier will provide your employee a Form 1095 B which will verify this coverage. The final regulations for Section 6055 reporting (Form 1094 B and 1095 B) discuss this situation. No reporting is required for plans designed to supplement a primary health plan if either condition below is true:

1. The primary and supplemental coverage have the same plan sponsor.
2. The coverage supplemented is government-sponsored coverage such as Medicare.

It appears employers will not need to complete Part III if they offer an insured plan partnered with a self-funded HRA. It would be helpful if the IRS clarified this issue as it relates to the 1095 C Form for employers.

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Marsh & McLennan Agency LLC

3331 West Big Beaver Road, Suite 200
Troy, MI 48084
Telephone: 248-822-8000 Fax: 248-822-4131
www.mma-mi.com

250 Monroe Ave. NW, Suite 400
Grand Rapids, MI 49503
Telephone: 616-717-5647 Fax: 248-822-1278
www.mma-mi.com

