



The High Costs of Low Prevalence Diseases

EVIDENCE FROM IBI'S 2013 BENCHMARKING DATA

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THE ISSUE

When it comes to managing workforce health and productivity, employers typically focus on costly, high-prevalence conditions such as low back pain, depression and obesity. However, less common diseases can still take their toll through wage replacement and lost productivity costs when cases end up in the disability system.

EVIDENCE

To demonstrate this point, we focus on short- and long-term disability (STD & LTD, respectively) claim expenses and lost productivity costs for eleven low-prevalence conditions using data from IBI's 2013 benchmarking database. We find that:

- Average STD wage replacement costs across all claims are about \$4,800. Costs for cancer, viral hepatitis, congestive heart failure and rheumatoid arthritis STD claims are estimated to be at least 20% higher.
- About 9% of all STD claims reach their plan's maximum benefit duration. This could be a precursor to entering the LTD system. Rheumatoid arthritis, congestive heart failure, cancer and viral hepatitis STD claims are more than twice as likely to reach their plan's maximum benefit duration.
- A majority of LTD claims close within one to three years after they start. COPD, rheumatoid arthritis and diabetes are among the LTD diagnoses least likely to close within one year. Rheumatoid arthritis and diabetes are among the most likely to remain open longer than 10 years - driving a long "tail" of losses for employers and wage losses for employees.
- Average LTD wage replacement costs across all claims are about \$36,200. Costs for rheumatoid arthritis, diabetes and coronary artery disease LTD claims are estimated to be at least 43% higher.
- Considering average STD wage replacement costs, the likelihood of converting to LTD, average LTD wage replacement costs and lost productivity for STD time away from work, the average costs for any claim entering the disability system is about \$12,200. Estimated costs for rheumatoid arthritis claims are about 2.3 times the average; estimated claim costs for viral hepatitis and congestive heart failure are at least 63% higher than the average.

IMPLICATIONS FOR EMPLOYERS:

Low prevalence chronic health conditions tend to fly under employers' radar. The results of this study indicate that some of the least common chronic conditions are among the most expensive once they enter the disability system. These cost estimates are conservative because they don't include sick day wages and lost productivity incurred during the STD waiting period. Employers could benefit from helping employees recognize their risk for these conditions and by considering disease management strategies to lower the risk of disability leaves and expedite recovery and return to work when disability claims occur. One practical first step employers can take is to assess the prevalence of different chronic conditions in their workforce, as well as the health risks that contribute to preventable disease.