



The Value of Disability Return-to-Work Programs

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Executive Summary

Background

Demonstrating the value of disability return-to-work (RTW) programs is complicated by the fact that employers adopt them in response to persistently long disability leaves. A head-to-head comparison with companies that make no such efforts will lead to the false finding that RTW programs somehow delay employees' return from disability. To overcome this defect in "snapshot in time" analyses, IBI compared the year-over-year (YoY) short-term disability (STD) durations of 109 employers with and without RTW resources.

Main Findings:

- Employers without RTW resources tend to have persistent YoY STD outcomes. Companies that struggle with long durations in one year also tend to have long durations in the next year.
- RTW resources disrupt the persistence in YoY claim durations—especially for companies starting from a high baseline. At the 50-day baseline duration, employers with RTW resources can expect their following year's claim durations to be an average of 3.6 days shorter than their peers without RTW resources. By the 60-day baseline duration, the gap is an average of 10.8 days shorter in favor of the employers with RTW resources.
- Employers that manage occupational and non-occupational claims in the same department and apply the same RTW rules to both types of claims have better YoY outcomes than do employers that manage occupational and non-occupational claims separately or do so according to different RTW rules.
- In spite of their clear advantages for managing disability durations, half of the surveyed employers had no RTW resources. Most that did lacked resources directly focused on managing non-occupational disability cases.

Implications for Employers

The results of this analysis leave no doubt that RTW efforts can help employers that are struggling with long disability durations. The survey findings also suggest that RTW strategies are underutilized. Employers struggling to manage long STD durations can benefit from the following guidance.

Know Where You Stand

Work with supplier partners to develop disability incidence and duration metrics based on your own claims experience. Track these metrics in a YoY context and compare baseline outcomes against an industry benchmark such as IBI's benchmarking reports.

Establish Plans to Meet At-Risk Employees

Pay attention to disability experiences across different locations, occupations, functions and diagnoses. Work with key managers and supervisors to understand the workflow and critical work tasks for high-risk employees. Use this information—as well as existing occupational disability policies and guidance from RTW experts—to design targeted RTW approaches. At the same time, comply with regulations such as the Americans with Disabilities Act (ADA) to ensure that the final policy is comprehensive enough to cover all employees.

Communicate the RTW Plan from Top to Bottom

Get buy-in from top leadership, using industry and internal benchmarks to demonstrate the opportunities for improvement and what impact this will have on the business generally. Including managers and supervisors in the development of RTW policies will help ensure that they understand and support the approach. Communicate the RTW plan to all employees in regular company messaging, emphasizing the risks for disabling conditions and their personal financial interest in the earliest feasible return to work from a disability leave.

Background

A large body of scientific literature shows that formal return-to-work (RTW) efforts can help shorten the durations of disability leaves for several conditions.¹ While the evidence in favor of RTW efforts is strong, the approach of most research—for example, employing randomized controlled trials of novel interventions, tested on very carefully screened participants—leads to very specific, limited findings. This is of little help to employers looking for insights into the value of programs that can be applied across a wide variety of disability diagnoses in a general population of employees.

Comparing average disability durations for employers with and without RTW programs presents the most straightforward approach to demonstrating the benefits of RTW. There is a catch, however: In the real world, many employers that make concerted RTW efforts do so in response to persistently long disability leaves. Any “snapshot in time” comparison would likely lead to the counterintuitive conclusion that RTW strategies, such as coordinated care, workplace accommodations and absence management, somehow delay employees’ return to work.

A better comparative approach would take the RTW value proposition on its own terms. Employers experience long or short disability durations for any number of reasons, some of which are manageable and some of which are not. A well-designed RTW strategy probably cannot transform an employer with persistently poor disability results into a best-in-class performer overnight. Instead, it affords that employer the opportunity to achieve better outcomes than it probably would have experienced given its current trajectory. In other words, RTW resources can help bend the year-over-year (YoY) curve of disability outcomes, particularly for employers that are on the high end of the distribution.

As a demonstration of this approach, IBI surveyed human resources and benefits managers about their company’s formal RTW resources.² We then matched participants’ survey responses to their company’s short-term disability (STD) claims outcomes in IBI’s Health and Productivity Benchmarking system (referred to simply as “IBI benchmarking”). The survey was completed by 256 employers, 109 of which had STD benchmarking claims data that permit YoY comparisons (the data are for 2013 and 2014 claims experiences). We used multivariate regression analysis to assess the YoY association in

¹ For comprehensive bibliographies and reviews of this literature, see van Duijn M, Eijkemans MJ, Koes BW et al. The effects of timing on the cost-effectiveness of interventions for workers on sick leave due to low back pain. *Occupational and Environmental Medicine*. 2010;67(11):744-50; Williams RM, Westmorland MG, Lin CY et al. A systematic review of workplace rehabilitation interventions for work-related low back pain. *International Journal of Disability Management*. 2006;1(1):21-30; Norlund A, Ropponen A, Alexanderson K. Multidisciplinary interventions: Review of studies of return to work after rehabilitation for low back pain. *Journal of Rehabilitation Medicine*. 2009;41(3):115-21; Désiron, HAM, de Rijk A, Van Hoof E et al. Occupational therapy and return to work: A systematic literature review. *BMC Public Health*. 2011;11(1):615; Franche RL, Cullen K, Clarke J et al. Workplace-based return-to-work interventions: A systematic review of the quantitative literature. *Journal of Occupational Rehabilitation*. 2005;15(4), 607-31; and Hoefsmit N, Houkes I, Nijhuis FJ. Intervention characteristics that facilitate return to work after sickness absence: A systematic literature review. *Journal of Occupational Rehabilitation*. 2012;22(4):462-77.

² IBI designed the survey partnership with disability and absence management professionals who participate in IBI’s RTW Working Group. See the Appendix for more information about the working group and the survey development approach.

these 109 employers' average STD durations, controlling for such factors as industry, size, plan design elements and musculoskeletal diagnoses (which feature prominently in the RTW research literature). There is a full description of the sample and analytic method in the Appendix.

Results

Disability Durations

The average employer's claim duration in both the baseline and subsequent years was about 35 lost workdays. Overall, averages did not differ appreciably for employers with and without RTW resources. Important differences emerged, however, in the YoY persistence of disability durations, as described below.

RTW Resources

Figure 1 illustrates that employers without RTW resources tend to have persistent YoY disability outcomes. The upward slope of the line indicates that employers with longer claim durations in the baseline year also likely have longer durations in the subsequent year. Note that the line starts out with fairly flat slope that begins curving upward more strongly as average claim durations increase. This is evidence that employers at the low end of the distribution in the baseline year (that is, employers with shorter average claim durations) might go either way in the next year but that employers at the high end of the baseline distribution are likely to have some of the longest average durations in the next year.

Figure 1: Without RTW resources, employers' claim durations persist YoY.

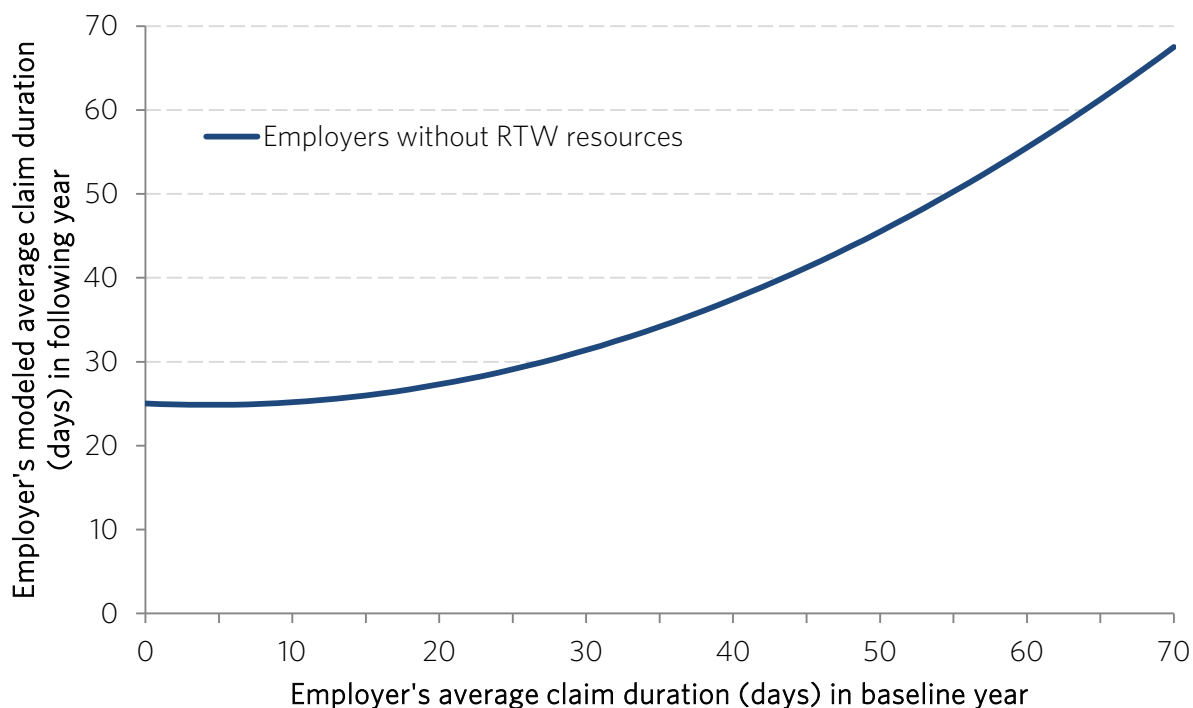
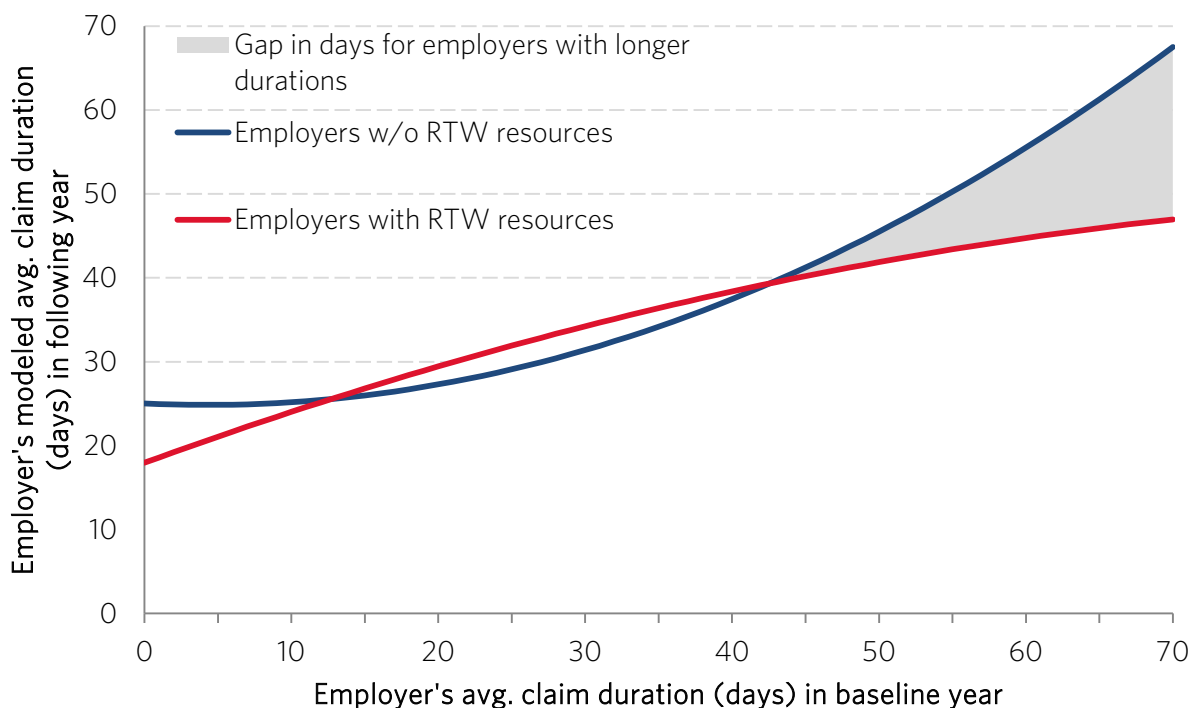


Figure 2 shows how RTW resources disrupt the persistence in YoY claim durations. While the slope of the line rises for employers as their average claim durations increase, it begins to curve and flatten out at the longer durations. The result is a gap between the durations employers can expect in the following year if they manage STD claims without RTW resources, and the better results they can expect if they use RTW resources.³

Figure 2: RTW resources bend the curve in YoY claim durations for employers with worse baseline disability outcomes.



For example, at the 50-day baseline duration, employers with RTW resources can expect their following year's claim durations to be an average of 3.6 days shorter than their peers without RTW resources. By the 60-day baseline duration, the gap is an average of 10.8 days shorter in favor of the employers with RTW resources.

Organizational Management of Disability Claims

The results in Figures 1 and 2 focus on RTW resources for non-occupational (i.e., STD) and occupational (i.e., workers' compensation) leaves and the availability of accommodation policies and tools to help supervisors manage employees' disability absences. In principle, these RTW resources would be analyzed for their independent impacts on STD outcomes. However, as described in the next section, surveyed employers tended to have either no RTW resources at all or to have both

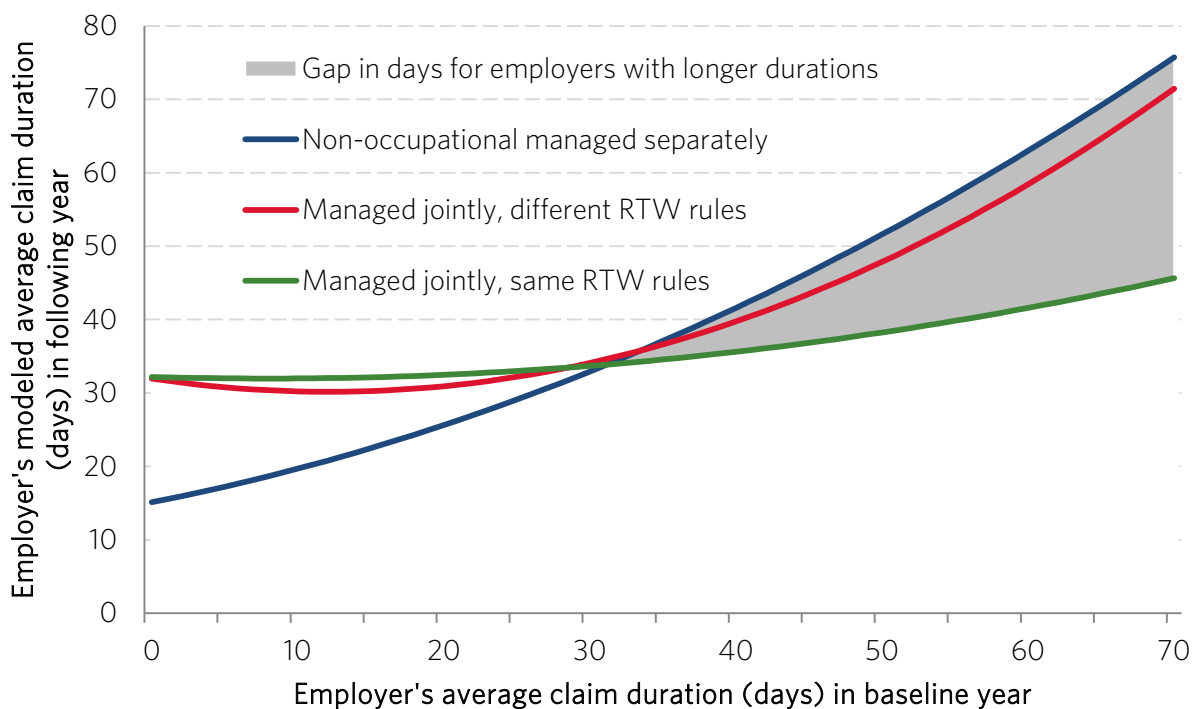
³ We focus the discussion on employers with worse baseline outcomes given that these organizations are the most likely to implement RTW strategies to improve disability outcomes.

occupational and non-occupational RTW resources. The same is true of accommodation policies and tools to help supervisors manage employees' disability absences.

Although this precludes analyzing the independent contributions of different types of resources, the combined analysis resembles the holistic RTW approach that employers typically take, rather than a piecemeal adoption of RTW strategies. The advantages of a holistic approach are further observed when we step back from formal RTW resources and look simply at the organizational responsibilities for managing occupational and non-occupational disability claims.

Figure 3 shows that employers that manage occupational and non-occupational claims in the same department and that apply the same RTW rules to both types of claims have better YoY outcomes than do employers that manage occupational and non-occupational claims separately or do so according to different RTW rules. The curve for employers that manage claims jointly according to the same RTW rules is essentially flat, indicating that claims outcomes in one year have no meaningful bearing on what happens in the next year. Compare this with the very steep curve for employers that manage claims in different departments, indicating a very strong YoY persistence in claims outcomes. Note also that managing claims jointly with different RTW rules has no impact on YoY durations for employers with worse baseline durations; their curve continues to slope upward alongside the curve for employers that manage non-occupational claims separately from occupational claims.

Figure 3: Managing occupational and non-occupational claims in the same department according to the same RTW rules can bend the curve of YoY claim durations for employers with worse baseline disability outcomes.



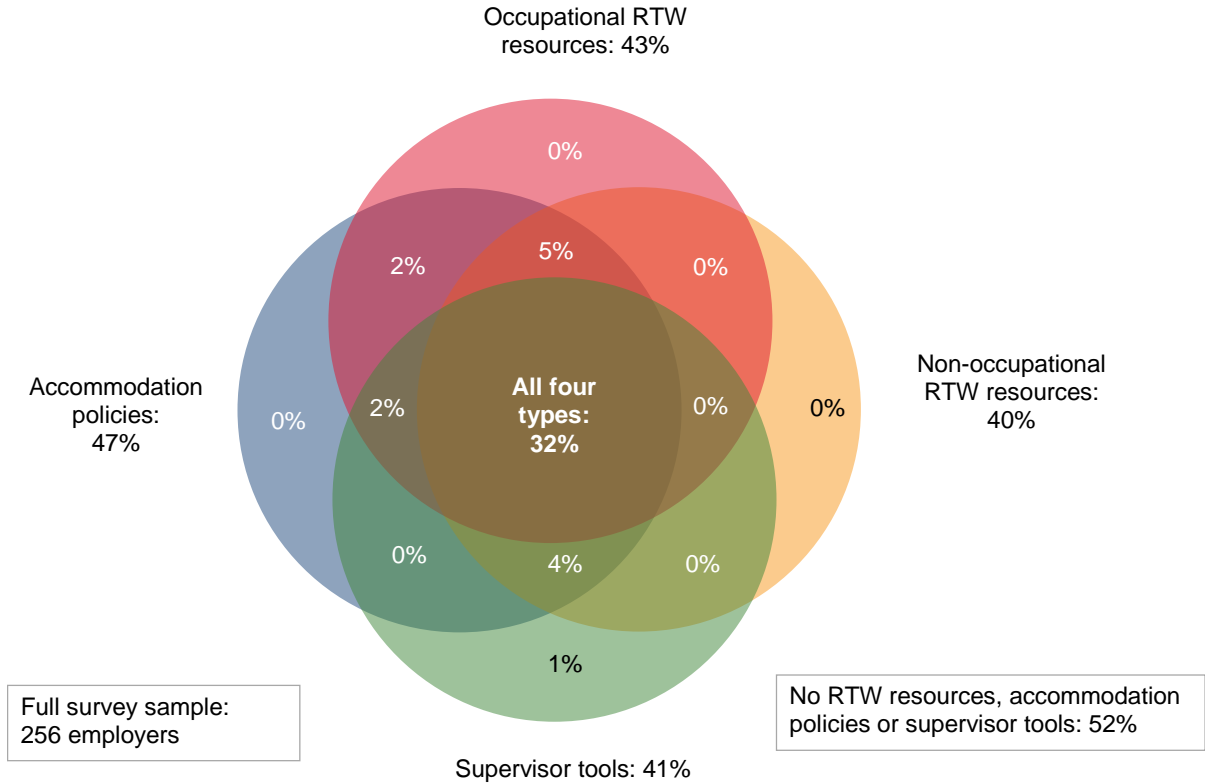
The Elements of a Good RTW Program: What They Are and How Many Employers Use Them

As Figures 2 and 3 show, RTW resources can help bend the curve for employers with poor disability outcomes. Of course, using the right kinds of resources is key. To help identify the elements of a good RTW approach, IBI convened a working group of disability and absence management experts. The group identified items related to the following:

- Formal resources for RTW from occupational illnesses and injuries
- Formal resources for RTW from non-occupational disability incidents
- Workplace accommodation policies for employees returning from leave
- Tools to help supervisors manage their employees' RTW process

We included their list of items in the survey and asked employers to indicate which resources they used. Figure 4 shows that employers used RTW resources, accommodation policies and supervisor tools in roughly equal measure. About half of all employers used some type of RTW management, and one-third used all four types.

Figure 4: Employers used RTW resources, accommodation policies and supervisor tools in roughly equal measure.

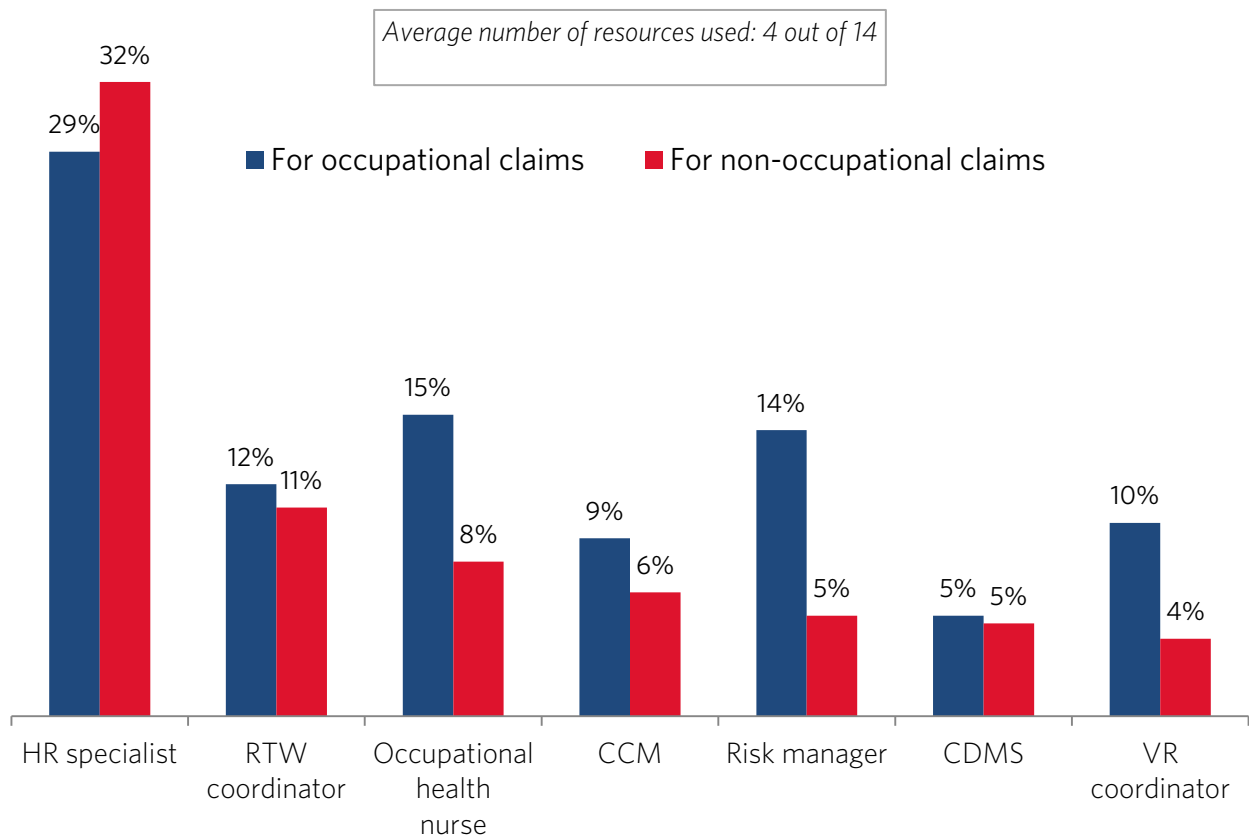


Note: Figure not to scale. For illustrative purposes only. Numbers may not sum to 100% due to rounding.

RTW Resources

Figure 5 shows how many employers used occupational and non-occupational RTW resources. About one-third of employers used human resources (HR) specialists for occupational and non-occupational claims. The least-used resources overall were certified disability management specialists (CDMSs), although risk managers and vocational rehabilitation (VR) coordinators for non-occupational claims are also rarely used. The largest RTW resource gaps between occupational and non-occupational claims are seen for risk managers, occupational health nurses and VR coordinators. At most, employers use these resources to manage non-occupational RTW only half as often as they use them to manage RTW for occupational claims.

Figure 5: Occupational health nurses, risk managers and VR coordinators are much more commonly used to manage RTW for occupational claims than for non-occupational claims.

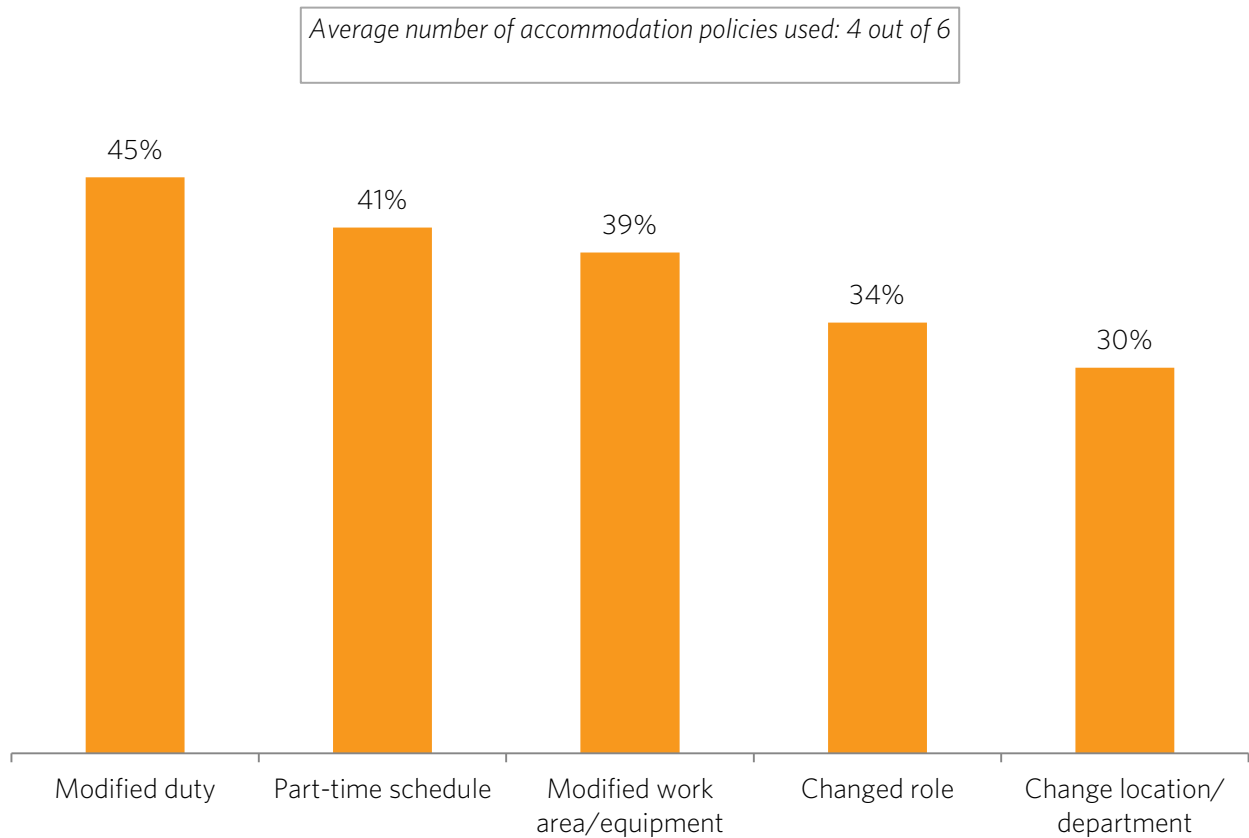


CCM = certified case manager; CDMS = certified disability management specialist; VR = vocational rehabilitation; HR = human resources

Accommodation Policies

Figure 6 shows how many employers had workplace accommodation policies. Almost half of the employers had policies to modify the regular duties of an employee returning from a disability leave. Slightly fewer employers had policies that permit returning employees to work a part-time schedule. Changing an employee's role or work location were the least utilized policies.

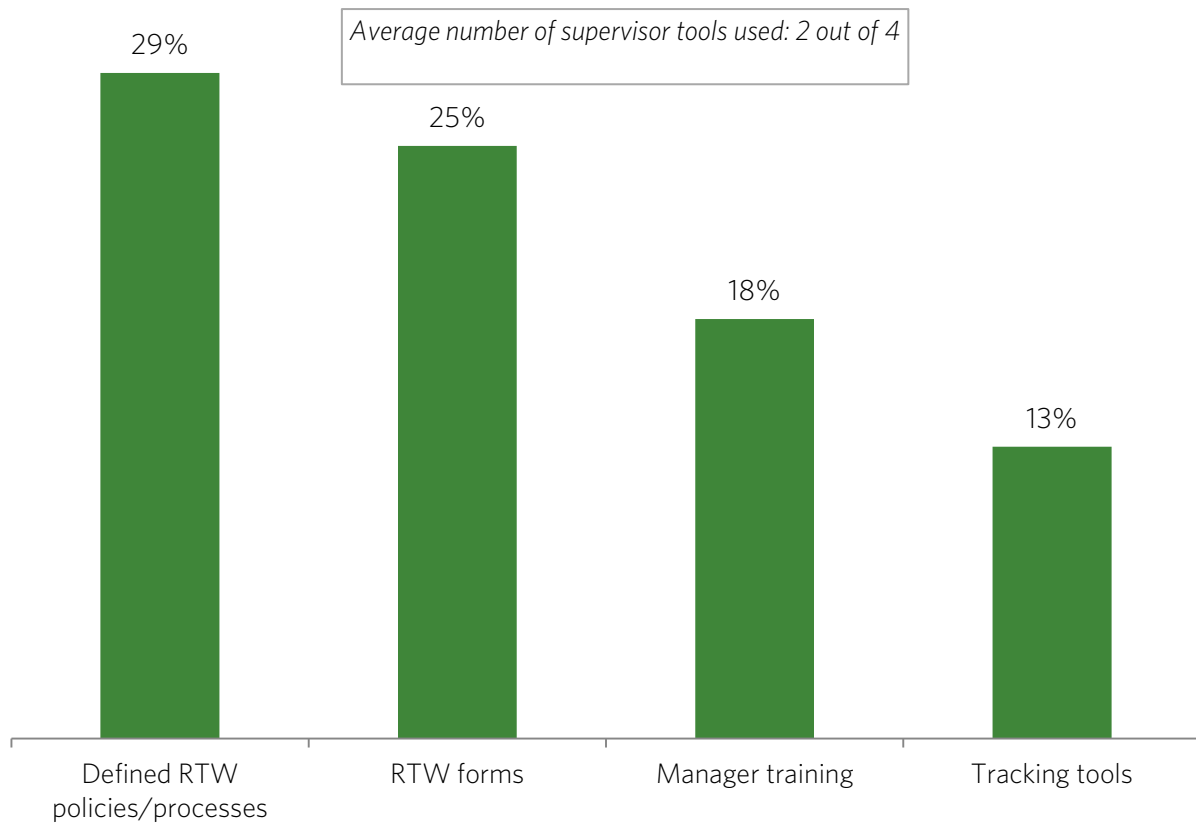
Figure 6: Modified duty and part-time schedules were the most commonly used workplace accommodation policies.



Supervisor Tools

Figure 7 shows how many employers had tools to help supervisors manage their employees' RTW process. Almost one-third had defined RTW policies and processes for supervisors, although fewer than 20% provided RTW training for managers. Fewer than 1 in 8 employers had tools to help supervisors track their employees' absences.

Figure 7: Almost 1 in 3 employers had defined RTW policies and processes for supervisors, but less than 1 in 5 provided RTW training for managers.



Implications for Employers

The results of this analysis leave no doubt that RTW efforts can bend the curve for employers struggling with long disability durations. The survey findings also suggest that RTW strategies are underutilized. Half of the surveyed employers had no RTW resources. Most that did lacked resources directly focused on managing non-occupational disability cases.

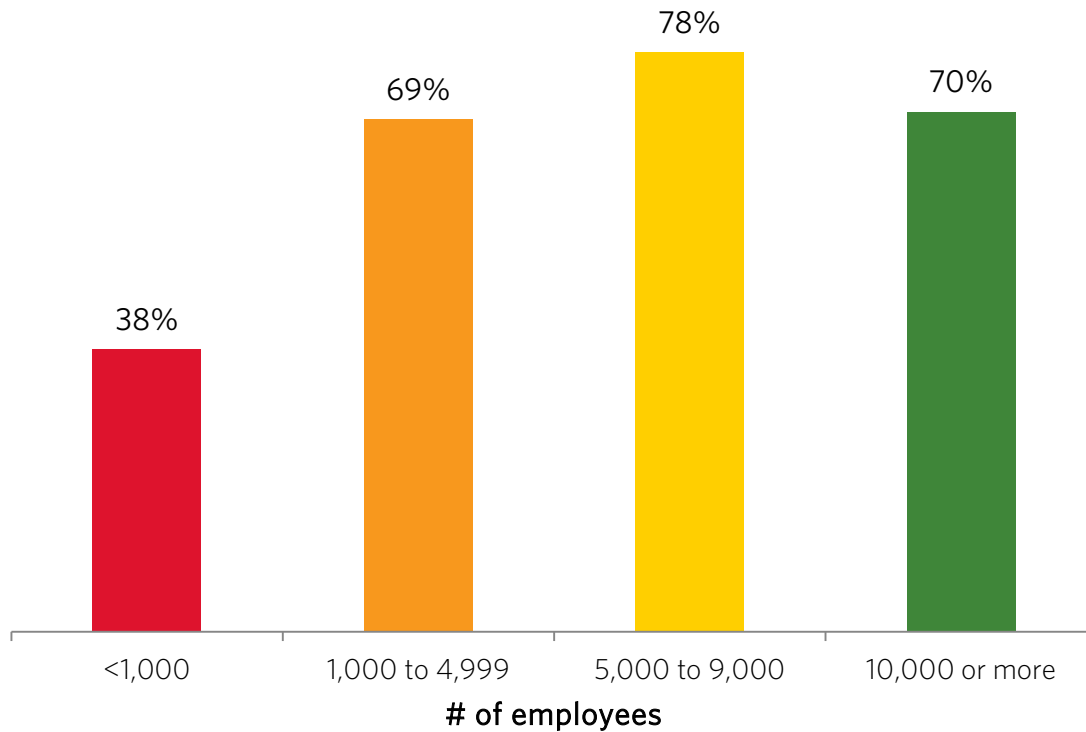
Figures 5 through 7 outline specific elements of a comprehensive RTW program, but implementation nonetheless requires careful planning. Disability and absence management professionals in IBI's RTW Working Group provided several points of guidance to help employers develop and implement an effective RTW program and to understand its impact on disability absences.

Know Where You Stand

Before doing anything else, employers must develop a clear picture of disability's impact on their business. Although this might seem obvious, a recent IBI member survey⁴ found that one-third of employers did not use disability claims to understand their workforce health and productivity. As Figure 8 shows, this is most pronounced among smaller employers: Only about two out of five employers with fewer than 1,000 employees used disability claims as a measure of their workforce health.

⁴ IBI's *Health and Productivity Roadmap Survey* was fielded in April 2016. Full results will be released in fall 2016.

Figure 8: Only 2 in 5 small employers used disability claims to measure their workforce health and productivity (results from 190 employers).



Employers should work with their supplier partners to develop disability incidence and duration metrics based on their own claims experience. Understanding the potential for improvements entails not only tracking these metrics in a YoY context but also comparing baseline outcomes against an industry benchmark such as IBI's benchmarking reports. In turn, the experiences of employers with the best disability duration outcomes will give insights for setting reasonable time limits for transition back to full-duty, full-time and for when in the claim cycle RTW efforts should commence.

Establish Plans to Meet At-Risk Employees

Just as industry benchmarks can yield insights into how much overall improvement employers can expect, attention should also be paid to disability experiences across different locations, diagnoses, and occupations and functions. This will help identify the greatest needs for RTW interventions and can inform communication and implementation strategies.

Once the employee groups with the greatest risks of long-duration claims are identified, program designers should work with key managers and supervisors to understand the workflow and critical tasks. Considering the kinds of diagnoses for which employees commonly take leave, which roles are possible candidates for accommodation and which will require a substitute worker? Are there meaningful secondary roles that an accommodated employee can perform? How much does it matter whether the

work is performed at the usual duty station rather than an alternative location or off-site? Information such as this will go a long way toward developing targeted RTW approaches.

Some employers can rely on existing occupational disability policies to guide their RTW strategy. Others will find it advantageous to partner with suppliers that have expertise in program design and implementation. In either case, employers should ensure that their work-tailored policies comply with regulations such as the Americans with Disabilities Act (ADA). This will ensure that the final policy is comprehensive enough to cover all employees while permitting more-targeted approaches where practical.

Communicate the RTW Plan from Top to Bottom

Clearly, implementing an effective and durable plan will require buy-in from top leadership. The benchmarking process should both emphasize for leaders the risks of long-duration—and high-cost—disability leaves but also point to the reasonable opportunities for improvement. Lost work time should be communicated in terms of wage replacements paid to employees on disability leave but also in terms of excess labor costs for overtime and substitute workers and the business's lost opportunities to produce valuable goods or services.⁵ By the same token, benchmarking across business units and occupations will bring the opportunities into clearer focus. After all, a company that is doing well according to the industry benchmarks may still have patterns of claimants with stubbornly long durations who could benefit from RTW efforts. These present practical opportunities for an effective business case.

Managers and supervisors must also understand the procedures for accommodating employees on disability leave and the timeline for when to expect RTW efforts to commence. Including managers and supervisors in the development of RTW policies will help ensure that they understand and support the approach. At the same time, benchmarking information can communicate the benefits of effective RTW efforts in operational terms that are meaningful to their day-to-day work. This will help cultivate managers and supervisors as active partners in the RTW process.

Finally, because employees receive only a fraction of their wages while on disability leave, they also have a financial stake in the earliest feasible return to work. At an average wage replacement rate of about 60% of annual wages, a typical STD claimant stands to lose from 2% to 9% of their annual wages.⁶ Employees who enter the long-term disability (LTD) system stand to lose about 42% of their earnings and most of their benefits for each year they spend on disability⁷—a substantial compensation loss.

⁵ Gifford B. *Linking Workforce Health to Business Performance Metrics*. Integrated Benefits Institute, 2015. <https://ibiweb.org/research-resources/detail/linking-workforce-health-to-business-performance-metrics>

⁶ Gifford B. An aging workforce means more short-term disability lost work time in the long run. Paper presented at: AcademyHealth's Disability Research Interest Group Meeting; June 7, 2014; San Diego, CA. <https://ibiweb.org/research-resources/detail/an-aging-workforce-means-more-short-term-disability-lost-work-time-in-the-l>

⁷ Gifford B. *The High Costs of Low Prevalence Diseases: Evidence from IBI's 2013 Benchmarking Data*. Integrated Benefits Institute. September 2014. <https://ibiweb.org/research-resources/detail/the-high-costs-of-low-prevalence-diseases-evidence-from-ibis-2013-benchmark>

Models that help employees understand their risk of income from a disability leave—based on their age, sex and health status, for example⁸—can help drive the point home. More importantly, all employees need to understand that their company has a well-designed plan in place and is ready and willing to accommodate them in the unfortunate event of a disabling condition. This message, as well as details about RTW procedures, should occur as part of occasional messaging about company policies before the need for disability leave arises.

⁸ Gifford B. Clinical and behavioral predictors of short-term disability. Paper presented at: American Public Health Association Annual Meeting; November 18, 2014; New Orleans, LA. <https://ibiweb.org/research-resources/detail/clinical-and-behavioral-predictors-of-short-term-disability>

Appendix

RTW Survey

IBI's RTW Working Group is composed of representatives from 11 major disability insurance carriers and absence management firms. From November 2015 to June 2016, members convened by phone or webinar on a nearly biweekly basis to identify the purposes and uses of a survey about employers' approaches to RTW and to specify the items to include in the survey. Once the group achieved consensus on survey items, IBI developed an online survey with unique links that corresponded to identification codes for employers with data in the IBI benchmarking system (described below). The links were provided to six working-group members, who invited employer clients from their books of business to take the survey. The identities of the clients that were invited to take the survey were not shared with IBI, nor were the identities of actual survey-takers. The survey remained open for clients from March 25, 2016, through June 30, 2016.

Surveyed employers represented different company sizes and industries, as indicated in Figures 9 and 10.

Figure 9: Survey respondents by industry

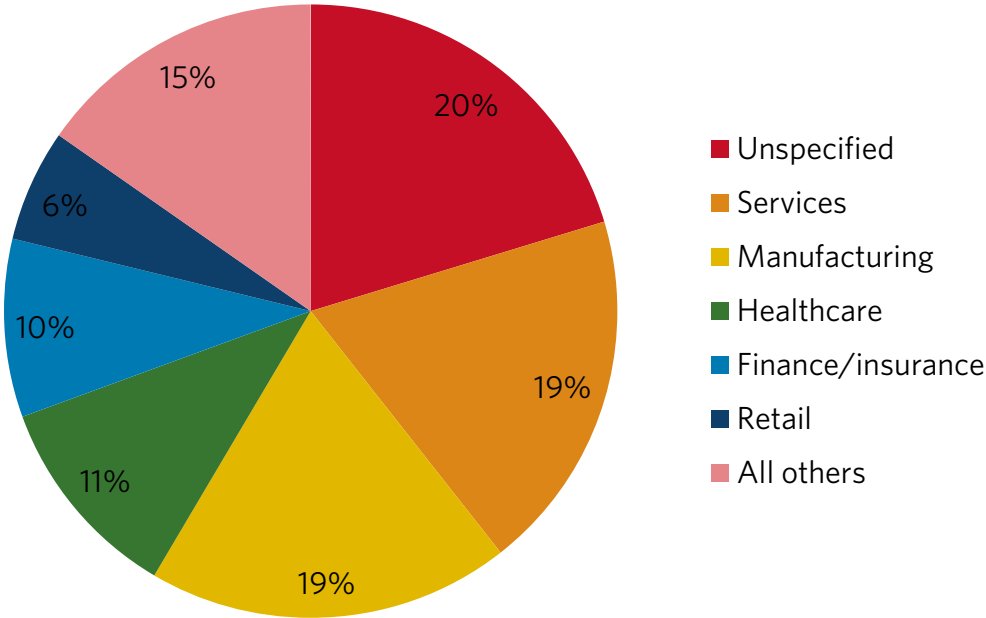
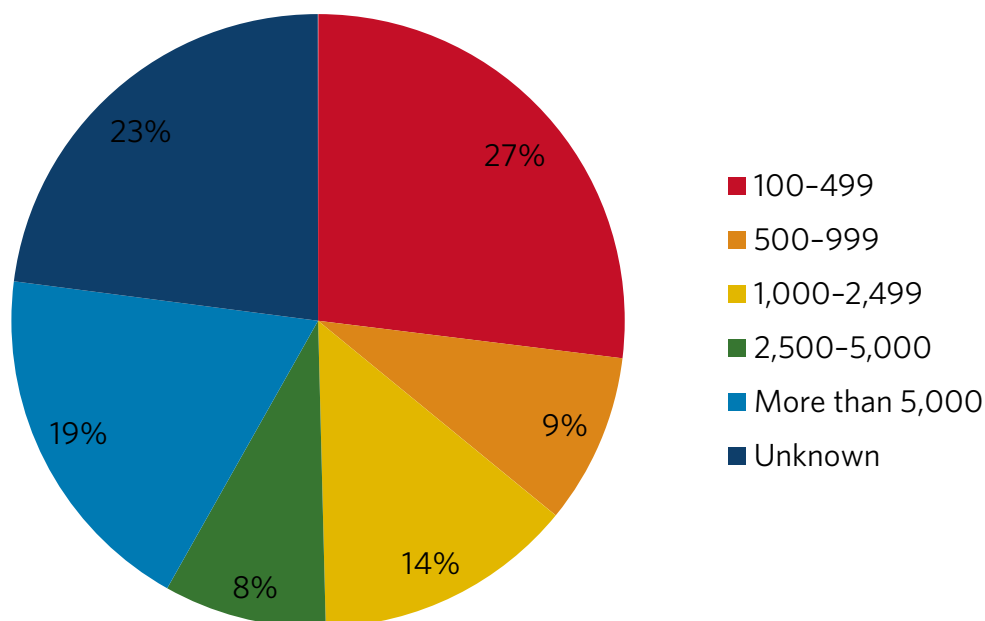


Figure 10: Survey respondents by number of employees



IBI's Benchmarking Data

The IBI benchmarking system⁹ collects employers' short-term disability, long-term disability, workers' compensation and Family and Medical Leave Act claims each year from the books of business of 14 major carriers and third-party administrators. IBI has collected these data annually since 2007. The current database contains more than 3.8 million claims, representing more than 50,000 employer policies.

For the current study, we aggregated employers' average lost workdays for closed STD claims for data years 2013 and 2014. These results were then matched to the employers' survey responses, using the unique employer identification codes. Out of 256 collected surveys, 232 employers had usable information about their RTW efforts and could be matched to information about their claim durations in 2014; 175 employers' surveys could also be matched to information about claim durations in 2013.

Multivariate Regression Model

To understand the impact of RTW efforts on YoY STD claim durations, we specified an ordinary least squares regression model of the form of equation 1 below:

⁹ <https://ibiweb.org/tools/benchmarking>

$$\begin{aligned}
& 2014 \bar{Duration}_i \\
& = \alpha + \beta_{1i}RTW\ efforts_i + \beta_{2i}2013\ duration_i + \beta_{3i}2013\ duration^2_i \\
& + \beta_{4i}RTW\ efforts_i(2013\ duration_i + 2013\ duration^2_i) + \sum \beta_{ki}Employer\ characteristics_i + \varepsilon_i
\end{aligned}$$

Equation 1

This model predicts every i^{th} employer’s 2014 average claim duration (in lost workdays) as a function of whether or not they have any RTW resources, workplace accommodation policies or supervisor tools (β_1) and their average claim duration in 2013 (β_2). Importantly, we include a quadratic term (β_3) to account for differences in the YoY association as 2013 durations increase. We use an interaction term (β_4) that allows the marginal YoY associations between 2013 and 2014 durations to vary for employers with and without RTW efforts, while simulating that they are similar in all other respects. Finally, $\sum \beta_k$ indicates controls for each employer’s industry, headcount and STD plan design elements (elimination period and maximum benefit duration). Because much of the RTW research focuses on interventions for musculoskeletal disorders (MSDs), we also include a control variable that measures the proportion of an employer’s claims that were for MSD diagnoses (ICD-9 codes 710.xx-739.xx). The model for employers’ organizational management of STD claims is specified similarly to equation 1, with the three management categories described in Figure 3 substituted for RTW efforts.

To assess average claim durations, we limited our analysis to employers with at least 10 claims in both 2013 and 2014. This reduced the sample size to 109 for the RTW model shown in Figure 2 and to 77 for the organizational management model shown in Figure 3. Setting the minimal number of claims at 10 precluded us from focusing on outcomes for specific diagnoses.

The models performed well, with each explaining about 60% of the observed variation in outcomes (adjusted R^2). Because of the small number of observations and the use of a quadratic term, multicollinearity poses a challenge to interpreting the standard errors of the estimates—which tend to increase—though the model coefficients may themselves be unbiased. Statistical significance should therefore be treated as conservative. For this reason, the descriptions of the models focus on the substantive interpretations of the shapes of the curves at different baseline values, rather than the significance of the coefficients. The coefficients used to generate the curves in Figures 2 and 3 are provided in the table below. Coefficients for control variables are available on request.

Figure 2 model coefficients	β	Standard error
Average 2013 durations	-0.104	0.304
Average 2013 durations (squared)	0.010	0.003
Employers with RTW resources	-7.82	7.72
Employers with RTW resources \times Average 2013 durations	0.749	0.406
Employers with RTW resources \times Average 2013 durations (squared)	-0.013	0.005

Figure 3 model coefficients	β	Standard error
Average 2013 durations	0.376	0.634
Average 2013 durations (squared)	0.007	0.010
Managed jointly, different RTW rules	17.5	10.6
Managed jointly, different RTW rules \times Average 2013 durations	-0.700	0.663
Managed jointly, different RTW rules \times Average 2013 durations (squared)	0.006	0.011
Managed jointly, same RTW rules	17.5	14.4
Managed jointly, same RTW rules \times Average 2013 durations	-0.440	0.810
Managed jointly, same RTW rules \times Average 2013 durations (squared)	-0.003	0.012