



*Producer Education Program*

Disability Integration & Productivity:  
A new approach to reducing benefit costs



*it's time to feel better*

## Session Objectives

- Recognize the primary challenges faced by employers in today's market
- Learn what impacts employers' costs
- Recognize the advantages of integrating health care and disability employee benefit programs
- Understand the link between medical and disability costs and a company's overall direct and indirect costs

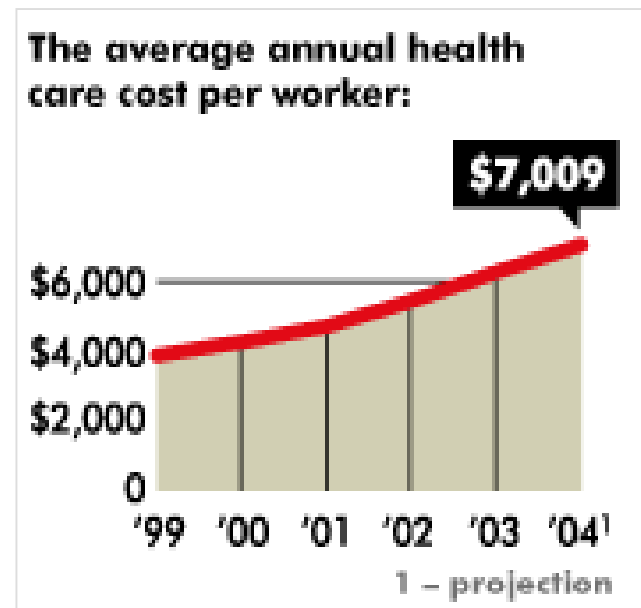
## Topics to Be Covered

- Employer challenges
- Total costs = Direct + Indirect
- Health & productivity management – an integrated model
- Key study findings
- Why integration can yield better results

What is one of the major  
HR concerns employers  
face?

## Rising Benefits Costs

- Persistent double-digit medical cost increases – health care costs continue to significantly outpace the rate of inflation
- Since 2000, premiums for family coverage have increased by 59%, compared with inflation growth of 9.7% and wage growth of 12.3%
  - Kaiser Family Foundation & Health Research and Educational Trust  
Employer Health Benefits  
2004 Survey
- Total health premiums paid by employers have risen rapidly



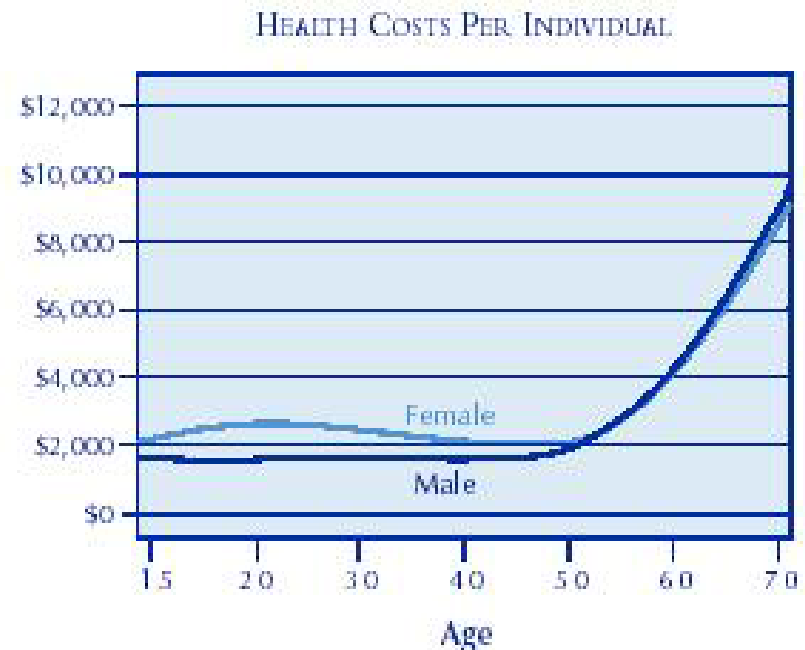
Hewitt Health Value Initiative™ 2003

*it's time to feel better*

# What's driving the increase in benefits costs?

## The Aging Workforce

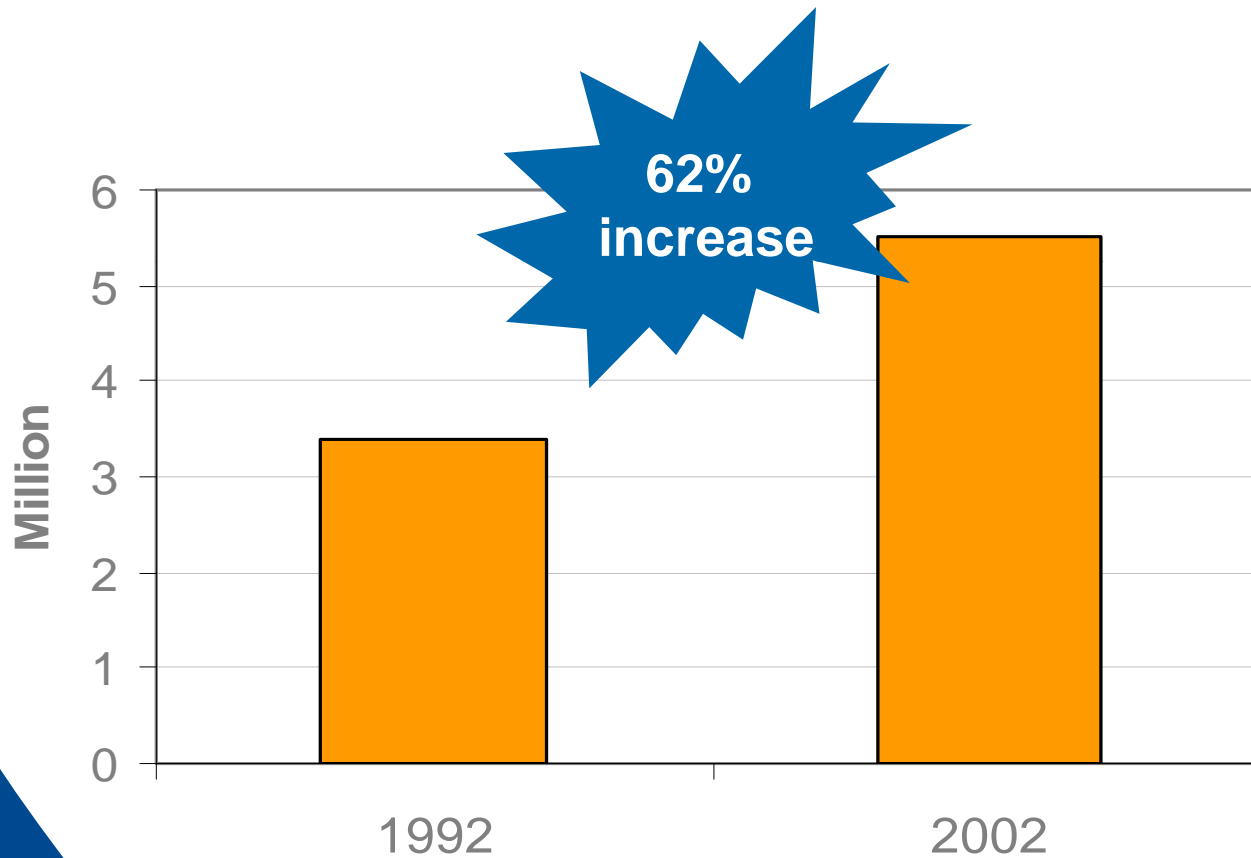
- In 2010, 51% of labor force will be over 40
  - Bureau of Labor Statistics, Monthly Labor Review, November 2001
- In 2003, Americans aged 55 and older made up approximately 12% of the workforce - the highest percentage ever recorded
  - Bureau of Labor Statistics, Monthly Labor Review, May 2004
- Aging labor force is expected to cause 37% increase in incidence of disability
  - JHA Factbook 2001
- Health care costs rise with age
- In North America, the percentage of people over 60 is expected to grow from 16 percent in 1995 to 30 percent in 2040.



Applied Research and Analysis Directorate 2004

*it's time to feel better*

## Workers on Long Term Disability



**Labor force  
grew only by  
11% in the  
same 10 year  
period**

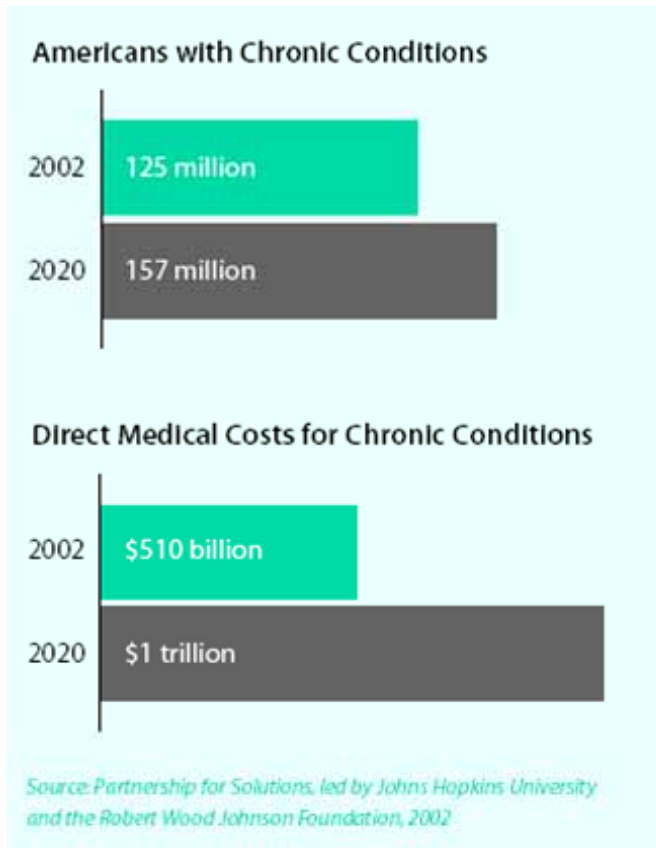


Department of Labor 2004

Confidential, unpublished property of CIGNA. Do not duplicate or distribute. Use and distribution limited solely to authorized personnel. © 2008 CIGNA

*it's time to feel better*

# Impact of Chronic Conditions



**A Costly Burden on American Society**

	Diabetes	Heart Disease
Americans with the condition	16 million	58 million
Associated costs*	\$98 billion	\$287 billion
Work losses**	14 million days	No. 1 cause of premature permanent disabilities

*\* Direct and indirect costs*  
*\*\* Average annual work loss for a diabetic is 8.3 days, for a non-diabetic it is 1.7 days*

*Sources: National Institutes of Diabetes, National Institutes of Health and the Centers for Disease Control*



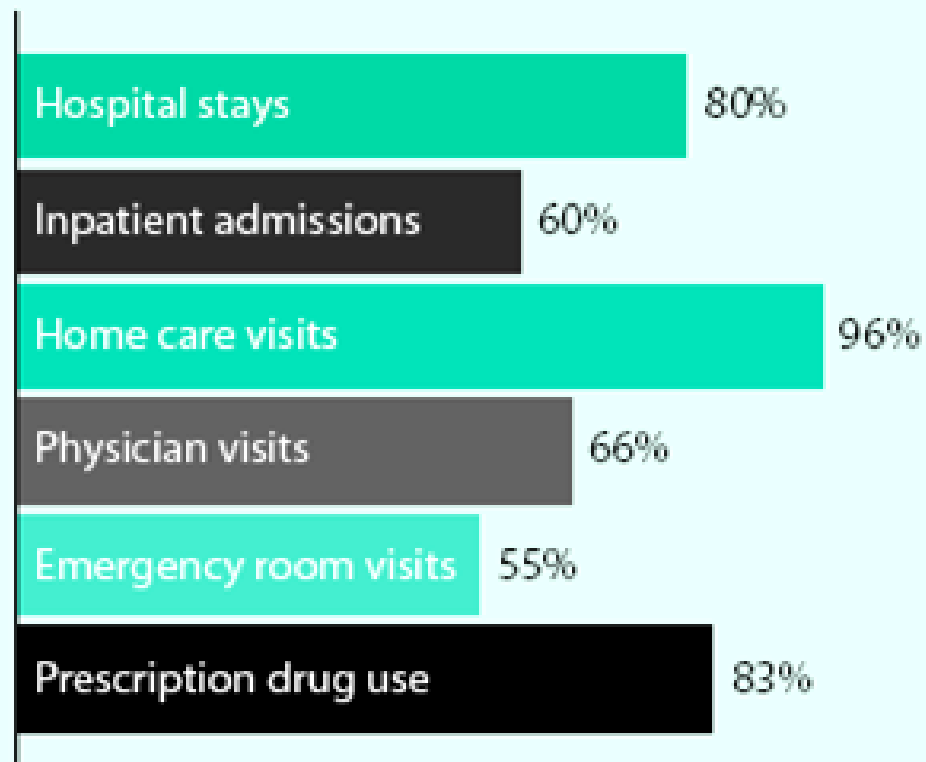
“Disease Management of Chronic Conditions Offers Opportunities for Improved Clinical and Financial Outcomes” Intracorp 2002

Confidential, unpublished property of CIGNA. Do not duplicate or distribute. Use and distribution limited solely to authorized personnel. © 2008 CIGNA

*it's time to feel better*

## Impact of Chronic Conditions

### Patients with Chronic Conditions Account for:



"Disease Management of Chronic Conditions Offers Opportunities for Improved Clinical and Financial Outcomes" Intracorp 2002

Confidential, unpublished property of CIGNA. Do not duplicate or distribute. Use and distribution limited solely to authorized personnel. © 2008 CIGNA

*it's time to feel better*

## Impact of Mental Health Costs

- More than 85% of primary care physician visits have a psychological component
  - *American Medical Association 2002*
- Major depressive disorder is one of the most prevalent and serious illnesses in the U.S., affecting nearly 19 million Americans every year – depression is the second leading cause of disability for the general population and the leading cause of disability for American women
  - *HealthyPlace.com 2005*
- Mental stress/depression claims are the fastest growing type of disability claim
  - *Mercer/Marsh Time Off and Absence Survey 2003*
- The largest pharmaceutical expenses are due to mental health conditions
  - *National Institute for Health Care Management 2002*
- Depressed workers lose about 5.6 hours of productive time on the job each week, compared with an average of 1.5 hours for non-depressed workers
  - *Journal of the American Medical Association 2003*

## Employees dealing with behavioral health issues cost employers money and lost time on- and off-the-job

Type of Lost Time	Annual Cost of Lost Time Related to Depression	Annual Cost of Lost Time due to non-Depression Related Events
Absenteeism	\$ 8.27 Billion	\$ 3.90 Billion
Presenteeism	\$35.73 Billion	\$ 9.17 Billion
<b>Total Lost Time</b>	<b>\$44.01 Billion</b>	<b>\$13.07 Billion</b>

## Growing Impact of Obesity

- Obesity drove 27% of medical cost increases between 1987 and 2001
  - *The Impact of Obesity on Rising Medical Spending, Health Affairs, Web Exclusive, 2004*
- The economic cost of all this extra fat is immense. Direct medical costs are easiest to calculate, coming in at \$93 billion, or 9%, of our national medical bill. But there are other costs as well that are harder to pin down.
  - *Eric Finkelstein, a health economist at the nonprofit RTI Institute*
- For the obese employee population
  - Annual health care costs are 37.4 percent higher
  - Annual hospital inpatient days are 45 percent higher
  - Lost workdays annually due to obesity are 39.3 million
    - *Jacobsen, M. "The Epidemic of Obesity: The Costs to Employers and Practical Solutions" 2002*

## Runaway costs due to Obesity

- **Jet Fuel**
- **Cost:** \$275 million
- The extra poundage packed on by the average American in the last decade required airplanes to use an extra 350 million gallons of fuel, according to an analysis by researchers at Cornell University.
- *Source: Forbes - Dannenberg et al, American Journal of Preventative Medicine*



*it's time to feel better*

## Runaway costs due to Obesity

- **Fat Bills**
- **Medical Cost Of Obesity:** \$93 billion
- About 32% of Americans are obese. That adds up to 9% of our national medical bill, or \$93 billion. California, New York, Pennsylvania and Texas each spend more than \$4 billion annually treating health problems that result from obesity.
- Source: Centers for Disease Control



*it's time to feel better*

## Runaway costs due to Obesity

- **Missed Work**
- **Cost: Up to \$800 per person**
- Obese workers miss more days of work than those who have kept a normal weight.
  - On average, people miss about three days of work per year.
    - But obese men miss five, and
    - obese women in the heaviest body mass category miss eight days of work.
- **Source: Forbes - Eric Finkelstein**

## Runaway costs due to Obesity

- **Supersizing**
- **Cost:** Up to \$7.72 per meal
- On average, getting a value meal at a fast-food restaurant costs 67 cents--an apparent bargain. But eating that meal comes with its own costs. For a man who is already obese, the extra calories will mean that per meal he spends 5 cents extra on gasoline, an extra 36 cents on food in the future because of the weight he gained, and an extra \$6.64 in annual health care costs.
- *Source: Close and Schoeller, Journal of the American College of Nutrition*



*it's time to feel better*

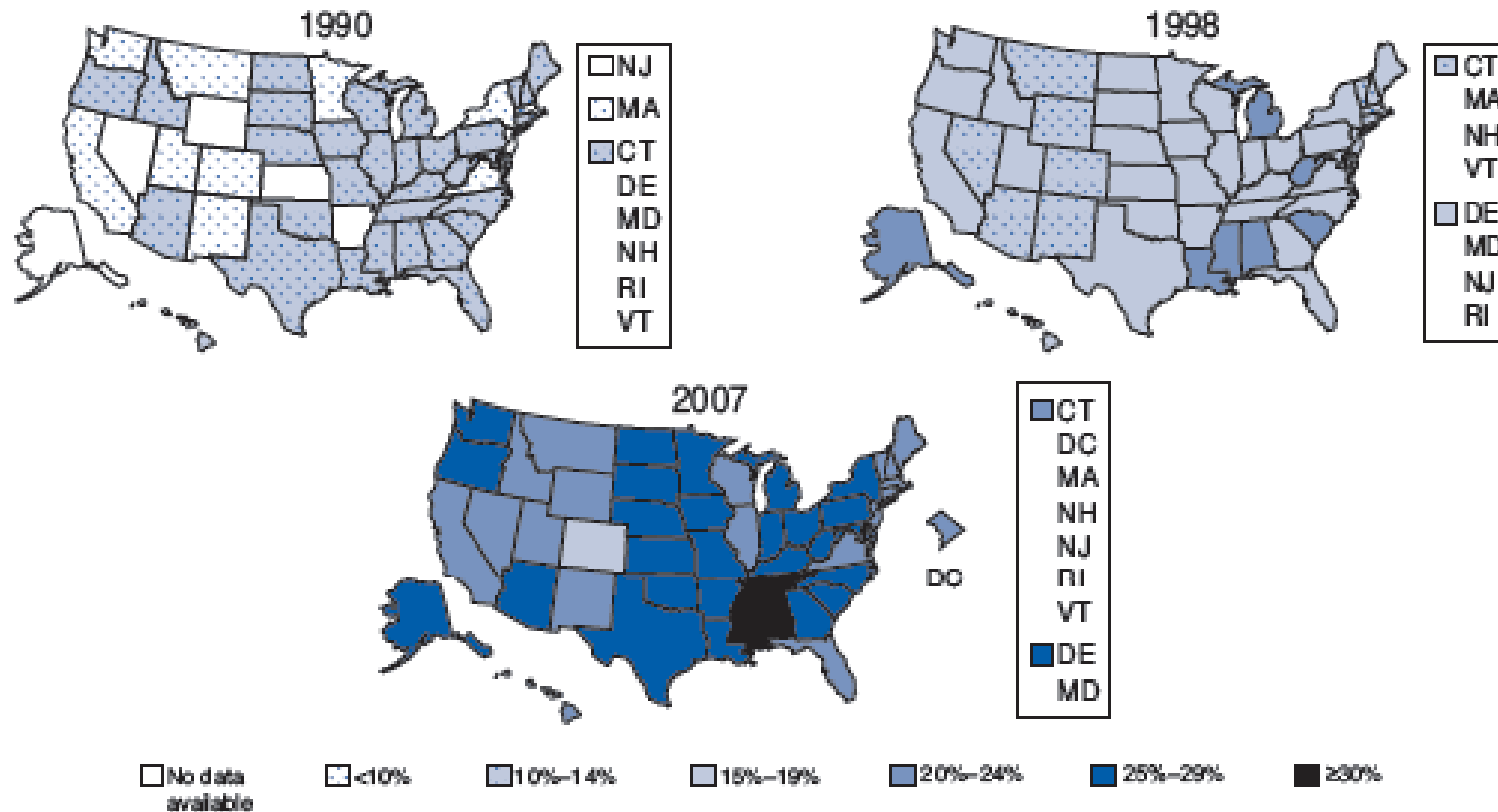
## Runaway costs due to Obesity

- **Your Pocket**
- **Tax Bill:** \$180 per year
- About half of the total cost of obesity-related health care, or about \$45 billion, is paid by the government through its Medicare program, which covers senior citizens, or Medicaid, which helps the poor. For every American citizen, the out-of-pocket tax cost is an average \$180.
- *Source: Forbes - Eric Finkelstein*



*it's time to feel better*

## Obesity\* Trends Among U.S. Adults BRFSS, 1990, 1998, 2007



\* Body Mass Index (BMI)  $\geq 30$ , or about 30 lbs. overweight for 5'4" person.  
Source: CDC. Behavioral Risk Factor Surveillance System, 1990, 1998, 2007.

Wait, there's more...

## Other Cost Drivers



Indirect costs  
exceed direct costs.

### Examples of indirect costs:

- Absenteeism (lost productivity)
- Presenteeism (lost productivity)

## Productivity Impact on Bottom Line

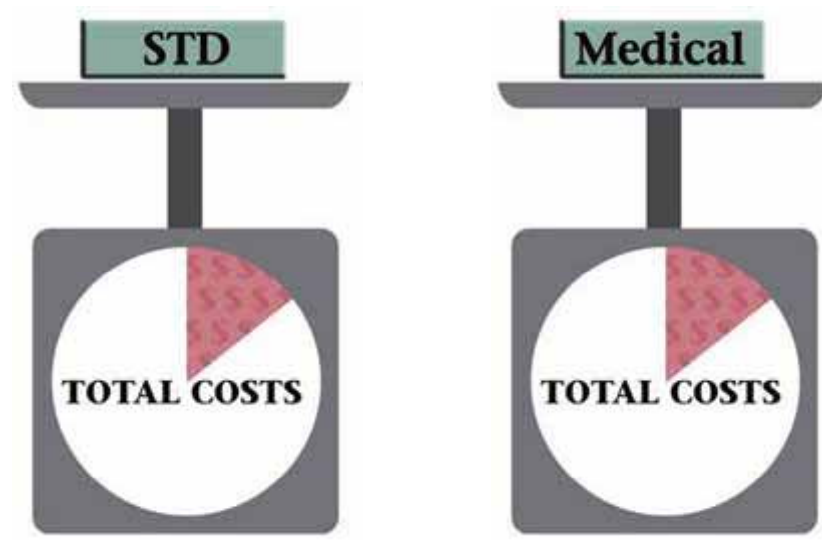
- Presenteeism nationwide totals *2.5 billion days lost* each year
- Average U.S. employee loses *115 productive hours* each year to health conditions
- This costs employers an estimated *\$2,000 per worker* per year

Consider this:  
115 hours  
x \$17.50/hour  
x 1,000  
employees =  
\$2,012,500



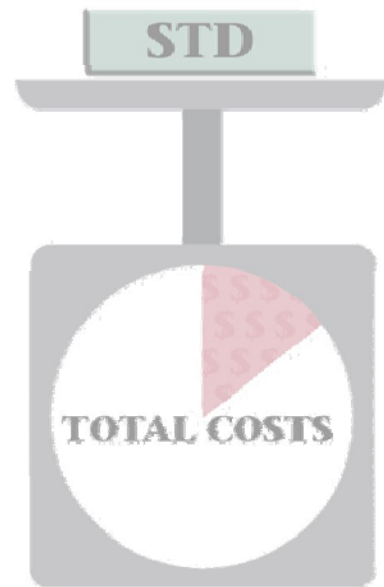
Old Paradigm:

How We Used to Weigh STD and  
Medical Costs



# New Paradigm: True Weight of STD Costs

Every disability claim is a medical event, so understanding and managing the linkages is key to controlling overall costs

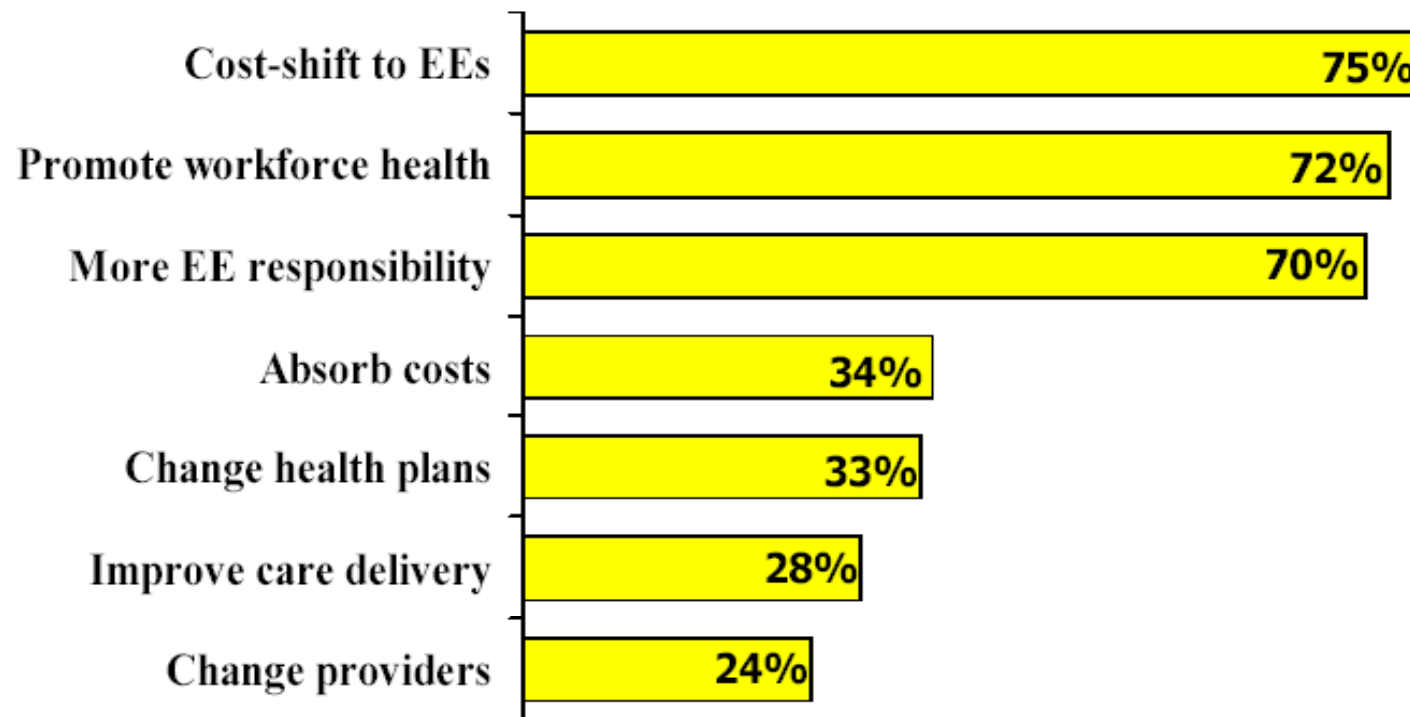


- Pre STD Event**
- STD Event**
- Post STD Event:**

*it's time to feel better*

What strategies can  
employers use to manage  
rising health costs?

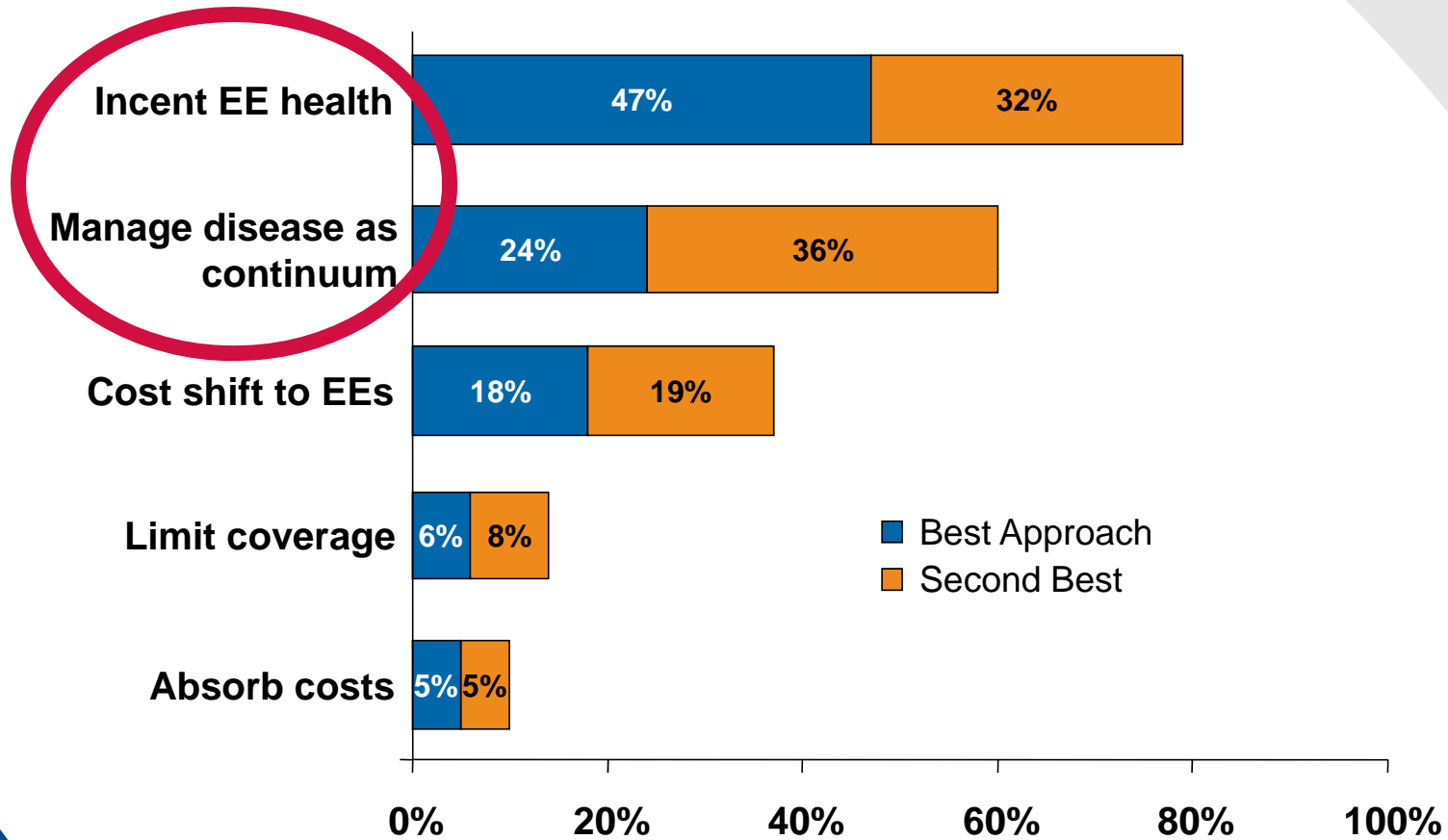
## Short Term Strategies for Managing Health Care Costs



*Employer Plans for Meeting the Healthcare Cost Crisis:  
Integrating Health and Productivity;  
Integrated Benefits Institute, April 2005*

*it's time to feel better*

## Long Term Approach to Offering Health Benefits



*Employer Plans for Meeting the Healthcare Cost Crisis:  
Integrating Health and Productivity;  
Integrated Benefits Institute, April 2005*

*it's time to feel better*

What does an integrated  
health and productivity  
management model look like?

# Integrated Health & Productivity Management Model



# Integrated Health & Productivity Management Model



STAY AT WORK

DISABLING  
EVENT



RETURN TO WORK

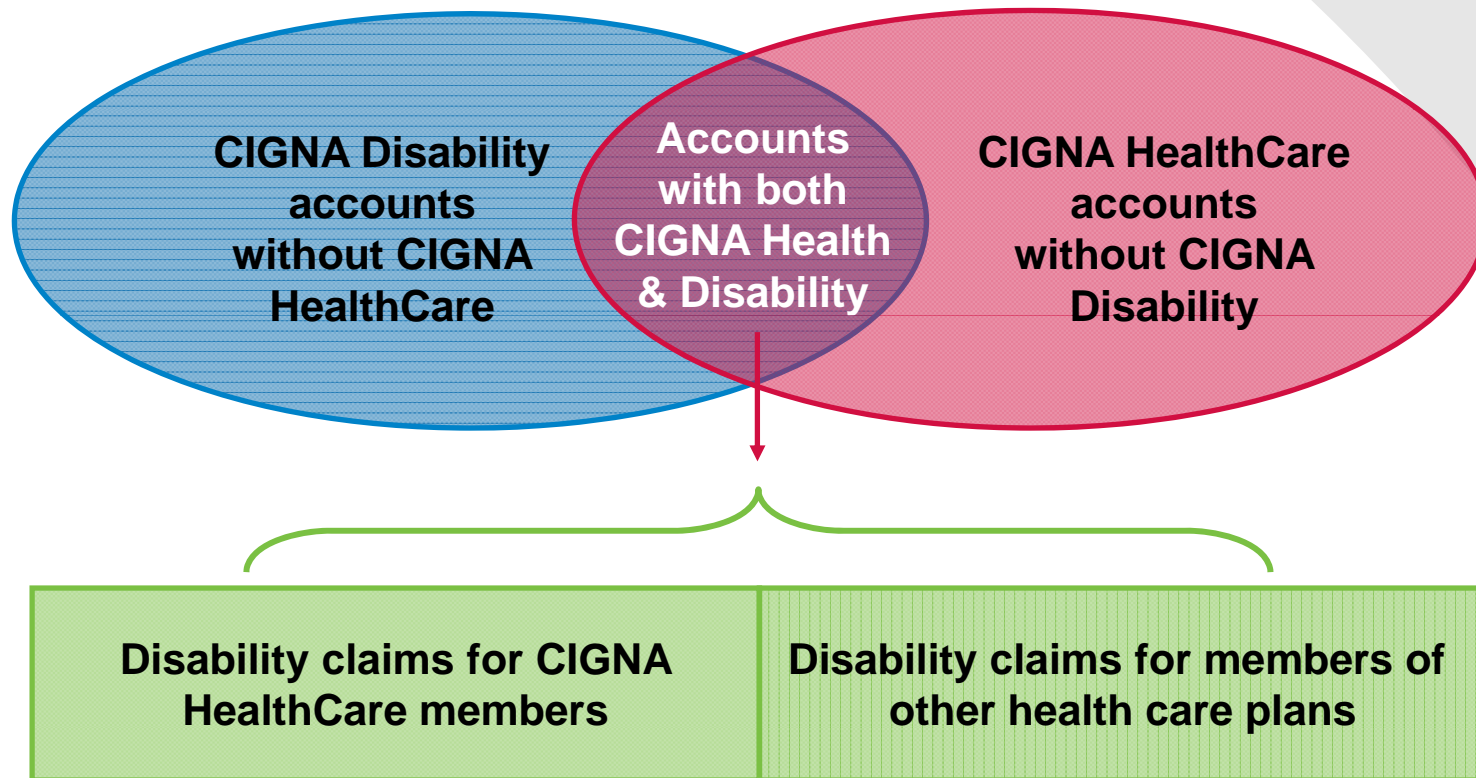
Helping employees stay at work and return to work enhances productivity and lowers overall costs

## An Integrated Health & Productivity Management Model Should Consider...

- Health related systems:
  - Health care
  - Incidental absence & FMLA
  - Short and long term disability
  - EAP/Behavioral health
  - Pharmacy
  - Wellness and disease management
  - Workers compensation
- Non-health related systems:
  - Corporate culture
  - Policies and procedures
  - Benefit plan designs
  - Alignment of incentives
  - Training and human resources
  - Employee communication
  - Data integration

Can an integrated approach  
really work?

# Health & Productivity Study



Study conducted jointly by CIGNA Group Insurance and CIGNA HealthCare

Confidential, unpublished property of CIGNA. Do not duplicate or distribute. Use and distribution limited solely to authorized personnel. © 2008 CIGNA

*it's time to feel better*

## Key Study Findings

- 20% of employees were responsible for 90% of employee medical costs
- Employees on short term disability represented only 5% of employees, but were responsible for 35% of employee medical costs
- Almost half of the expense of treating mental health conditions stems from individuals being treated for other non-mental health conditions, not from individuals who seek treatment for the mental health condition itself
- Most of the top cost drivers are the same for both short term disability and medical: musculoskeletal, heart/circulatory, respiratory, digestive, cancer
- Short term disability durations and return to work percentages are consistently better for claimants having disability and health with the same carrier

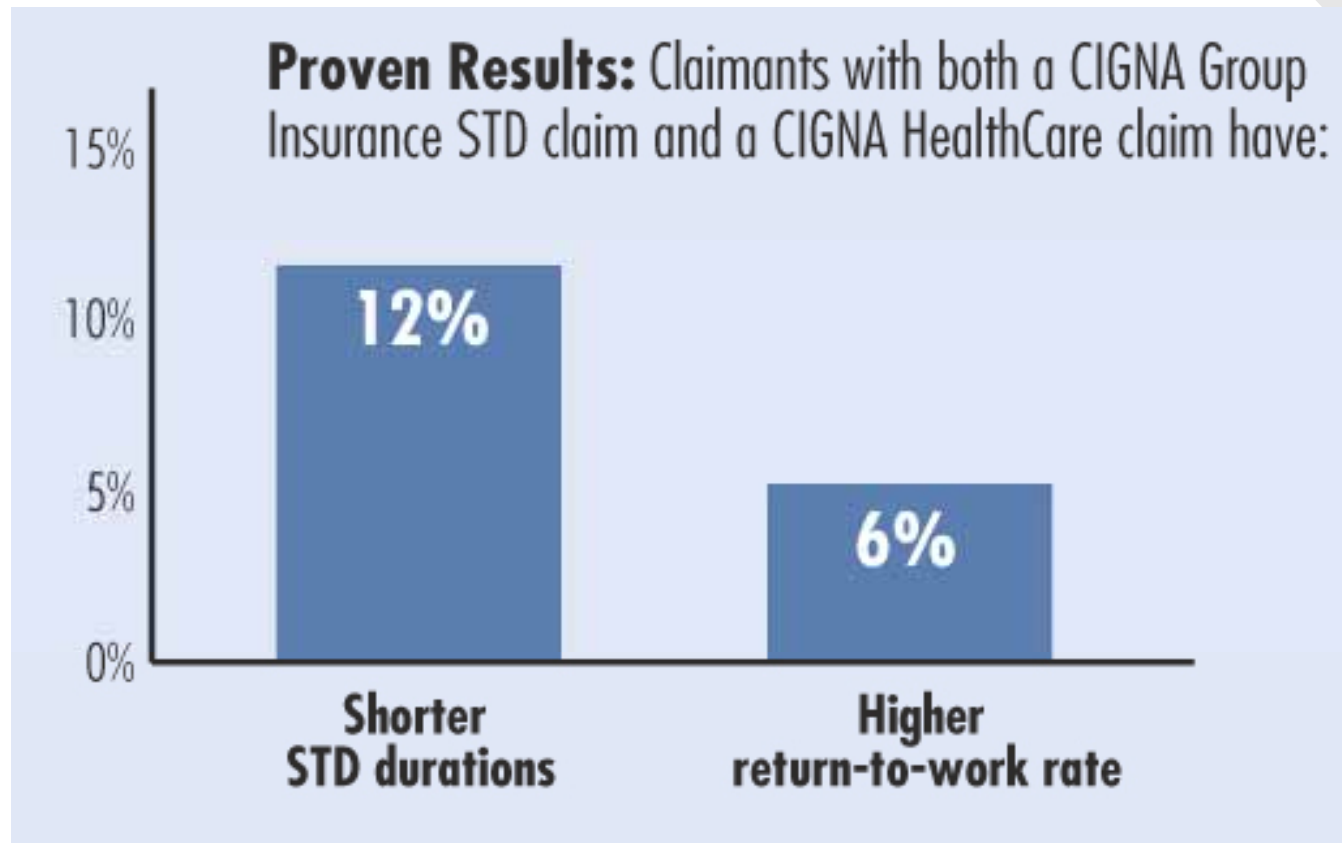


*"The Disability & Healthcare Connection: How Strong is the Link" CIGNA Study 200311*

Confidential, unpublished property of CIGNA. Do not duplicate or distribute. Use and distribution limited solely to authorized personnel. © 2008 CIGNA

*it's time to feel better*

## Solutions That Address Both Medical and Disability Cost Have a Greater Impact



Why managing health in a broader context of absence, disability and workforce productivity can make a difference.

## Fewest employees drive the highest medical costs



The disabled population drives medical expenses at a rate 7x higher than the rest of the employee population

**20% of the employee population drives 91% of medical costs**



*"The Disability & Healthcare Connection: How Strong is the Link" CIGNA Study 2003*

Confidential, unpublished property of CIGNA. Do not duplicate or distribute. Use and distribution limited solely to authorized personnel. © 2008 CIGNA

*it's time to feel better*

The key is to identify and impact those employees who are driving the most costs



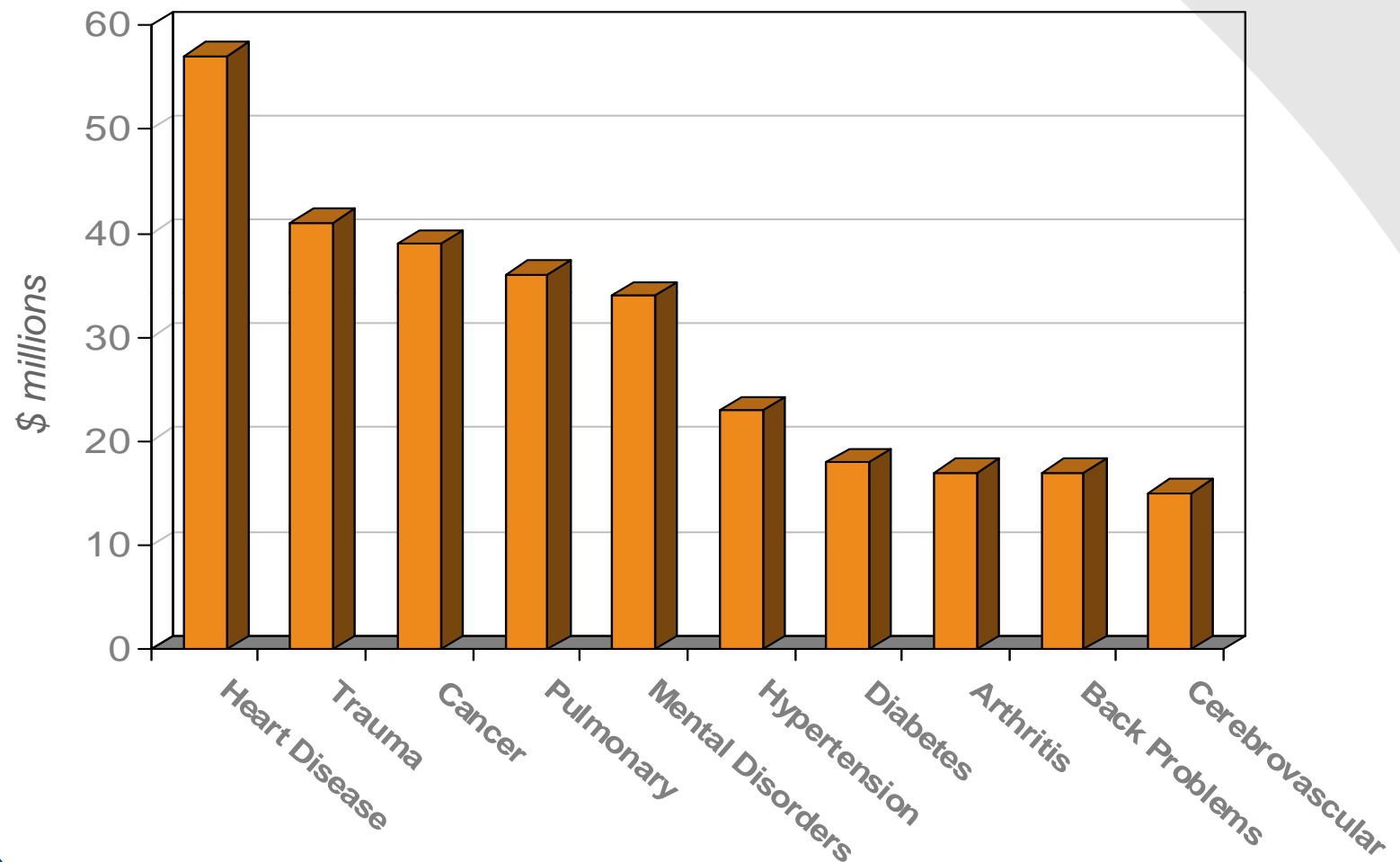
Employees with mental/nervous conditions have 7% higher disability claim incidence and 28% longer disability claim durations

**These disabled employees with chronic conditions drive medical costs at a rate 18 times higher than other employees**

## Why Does Integration Yield Better Results?

- A Common Philosophy, Linked Processes and Technology
- Using wellness/prevention strategies to keep employees at work
- Promoting early intervention through proactive outreach and case management
- Improving the health and productivity of employees through integrating expert clinical resources (medical, pharmacy, behavioral health and disability)
- Utilizing disease management to optimize the treatment of chronic disease
- Focusing on both the quality and the total cost of care by delivering superior medical management and improved return to work
- Utilizing coordinated systems, solutions, and data

## Top 10 Most Expensive Conditions



Health Affairs 2004

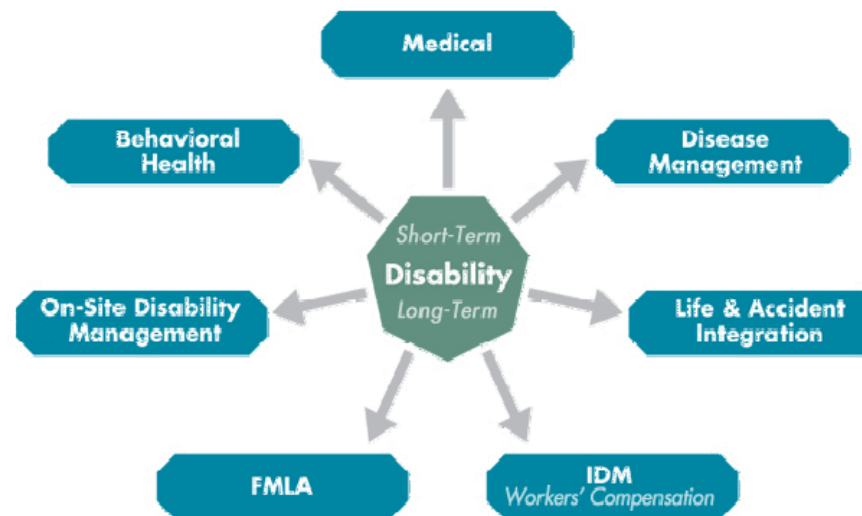
Confidential, unpublished property of CIGNA. Do not duplicate or distribute. Use and distribution limited solely to authorized personnel. © 2008 CIGNA

it's time to feel better



## Integrated Health & Productivity Management Directly Targets Top 10 Most Expensive Conditions

- Disease management programs for heart disease, hypertension, pulmonary conditions, diabetes
- Behavioral health programs for mental disorders
- Case management for improved outcomes
- Wellness programs to prevent conditions



Plus, 70-80% of FMLA leaves are for short-term disability claims\*

\*SHPS Database 1997 to 2004

Confidential, unpublished property of CIGNA. Do not duplicate or distribute. Use and distribution limited solely to authorized personnel. © 2008 CIGNA

it's time to feel better

## Summary

- Health care and disability costs will continue to escalate due to demographic trends
- Aging, chronic diseases, mental health, and obesity are interrelated and will have an adverse effect on employers' profitability and competitive advantage
- Employers need to consider the total cost of care (health care + disability + lost productivity)
- Astute employers recognize:
  - Productivity → Costs → Overall Competitiveness
- Integrating employee benefit programs can positively affect health and productivity outcomes

## Closing Comments and Questions



## Next Steps

- **Before you leave**, please make sure you've completely filled out and signed the roster- include **all** information
  - Print legibly and include your full name, work address and work telephone number
- Complete the evaluation form
- You should receive your certificate within three weeks

***Thank you!***

*it's time to feel better*

