The Disability and HealthCare Connection...

How Strong Is the Link?

A study by:

CIGNA
A Business of Caring.
Forward

In June 2002, CIGNA launched the Disability & HealthCare Connection, a coordinated approach to disability and health care programs. One year later, with 400,000 members benefitting from the program, CIGNA determined it had a wealth of data that could be examined to better understand coordination in terms of costs, service, and opportunities to improve benefits delivery in the future.

The study was undertaken against a backdrop of major trends expected to rock the employee benefits world:

- Medical costs continue to rise faster than the overall inflation rate, and health care expenditures represent an ever increasing percentage of Gross Domestic Product (GDP).*

- Employee contributions are reaching new heights in dollars both for their share of the health care premiums as well as cost of services. The United States has the highest per capita health care spending in the world, at more than $5,400 per employee.*

- Employers are trying to accomplish more with fewer resources, and anything that diminishes workforce productivity is a setback to a company’s financial plan. Health issues can cause absenteeism and presenteeism, which, combined, create a severe, compounded productivity decline. Actual indirect costs from diminished productivity remain a relatively new metric for many employers who have long struggled to fight absenteeism and the phenomenon of “presenteeism” – defined as being at work although not fully effective.

- Sweeping demographic changes are changing the face of the American workforce and, ultimately, the delivery of benefits. The workforce of the next decade will be marked by aging workers more likely to work into advanced age because of lower retirement savings, record numbers of women, a more ethnically diverse workforce, and more working uninsured.

- Administrative simplicity will be more critical than ever as managing health and benefits plans grows more complex and benefits staffs continue to shrink. Benefits administration needs to be streamlined for both employers and employees.

* Source: Centers for Medicare and Medicaid Services
Taking these employer challenges into account, we set out through the study to answer a burning question: Can a tighter linkage between disability and health care programs begin to help address the rising overall costs and loss of productivity that companies are experiencing in their benefits programs? As you will see in the findings, the answer is a resounding “yes.”

The study also sought to build on previous research conducted by the Integrated Benefits Institute (IBI), which found that the majority of total medical and disability costs are driven by disabled employees. On average, disability claims are filed in 11 percent of cases when medical claims are filed, according to the study of one manufacturing company by IBI. However, those 11 percent of disability claims account for a disproportionate 53 percent of the total, combined medical and disability costs, according to the IBI study. With the IBI information in mind, the CIGNA study set out to determine more about how the medical and disability experience fit together in a broader framework.

Some key lessons were learned from this study:

- In the medical community, return to work is not traditionally viewed as a conventional health outcome. Yet, returning disabled employees to work has a significant influence on an employer’s direct and indirect costs from disability combined with medical care costs and productivity losses.

- Many doctors are not focused on return to work for their patients, just as many health care providers do not consider return to work as a major element in a treatment and recovery plan. However, the entire health care and employee benefits community needs to view the impact of disability differently as part of overall health care. This will result in promotion of prevention, wellness, and lower medical cost, and less time lost from work.

- There is an inherent disconnect between the medical and disability management systems. Employers need to begin looking at these systems and compare data to achieve the best outcomes for employers and their employees. Employers and carriers must seek ways to reduce costs, enhance productivity, and improve the health and wellness of the workforce.

There is still work to be done to fully appreciate how strong the link is between the disability and health care experience, and to continually enhance and improve intelligent integration of disability and health care services. Over time, we believe that integration of disability and health care programs may truly be the “missing link” that all employers and employees are seeking when it comes to total benefits cost control, productivity gains, meeting the workforce’s evolving benefits needs, and providing administrative simplicity. This study represents the first step toward understanding how all the cost and productivity pieces fit together in the delivery of employee health and disability benefits.

**Why Does Disability and Medical Integration Matter?**

The majority of your total medical and disability costs are driven by employees absent from work due to disability.

[Image: Disability and Medical Costs Diagram]

Integrated Benefits Institute, Linking Medical Care to Productivity, February 2001
Highlights of the Findings:

An analysis of the health care and short-term disability experience of 156 companies revealed the major drivers of medical and disability costs, quantified the results of companies who coordinate their medical and disability processes, and provided insights into how employers can reduce overall benefits costs, prevent disabilities, and boost productivity.

Five major findings emerged in relation to the cost of health care and short-term disability (STD) and the results of integrating programs:

1. The length, or duration, of the short-term disability - as well as how quickly a disabled individual returns to work full time - is better for those individuals with an integrated disability and health care program;

2. A quarter - 26 percent - of “medical episodes” that lead to a disability stem from chronic health issues like heart disease, diabetes, and low back pain, yet these chronic health issues account for more than half - 56 percent - of STD-related medical costs;

3. Almost half - 45 percent - of the expense of treating depression and other mental health conditions stems from individuals who suffer from other disabilities like low back pain or heart disease - not from individuals who seek treatment for the mental health condition itself;

4. Short-term disability claim-related medical costs - both direct and indirect - often continue after return to work;

5. Most of the top drivers of short-term disability costs match the top drivers of medical costs.

These findings are described in this booklet, along with their implications.
Study Methodology

In 2003, CIGNA structured a study to identify disability, medical, pharmacy and mental health cost relationships and drivers. The objective was to understand more about the relationship of coordinating quality health care to disability outcomes - specifically, whether having the same health care and short-term disability provider helps reduce medical costs and length of disability. The study also sought to identify other measures that might prevent illness and injury and spare employees from time lost from work.

CIGNA studied the experience of 156 companies with CIGNA STD who offered CIGNA HealthCare as a core medical option to their employees. Those companies’ employees could select among medical providers. Out of the 60,000 short-term disability claims that were filed within those 156 companies in the study time period of 2001-2003, approximately 13,000 were filed by employees who had selected CIGNA HealthCare, totaling more than $30 million in salary replacement (STD) cost, and 47,000 were filed by employees who selected another carrier, totaling more than $107 million in salary replacement (STD) cost.

The study included three phases:

- The first phase examined the disability experience of CIGNA HealthCare and CIGNA Disability claimants as opposed to claimants with CIGNA disability coverage alone;
- The second phase analyzed total medical costs of CIGNA Disability and CIGNA HealthCare customers, employees and dependents, identifying medical drivers and high risk profiles;
- The third phase focused on matching the short-term disability event to corresponding medical episodes.

Medical costs were broken down in multiple components:

- Management cost (claim record submitted by a clinician related to the evaluation of the patient’s condition);
- Surgery cost (claim record submitted by a clinician for surgical or related procedures);
- Outpatient cost (claim record submitted by any provider for laboratories, radiological or similar services in outpatient setting);
- Inpatient cost (claim record submitted by any provider for laboratories, radiological or similar services - in inpatient setting);
- Facility cost (claim record submitted by a treatment facility such as a hospital or a free-standing surgical facility for room and board charges);
- Pharmacy cost (claim record submitted for prescription drug).

Medical episodes were then categorized between chronic/non-chronic conditions to allow better insight into the nature of the medical condition leading to the disability. When data was analyzed by demographics like age, gender, occupation and seniority, there were no differences in outcomes.
The duration of the disability, as well as how quickly a disabled individual returns to work, is better for those individuals with integrated disability and health care coverage through CIGNA.

The study found that disability durations were 12 percent lower and return-to-work rates were 6 percent higher for those claimants who had CIGNA disability and CIGNA HealthCare coverage.

Implications:
At a time when many employees live paycheck to paycheck, returning to work sooner helps them to maintain their standard of living and provide for their personal and family needs. For an employer with 3,000 employees, shorter durations and better return to work can mean between $100,000 and $200,000 in direct disability cost savings per year, depending on the wage replacement of an employee’s average salary. It’s important to remember that this savings is in direct costs alone. There are indirect costs, also, which include lost productivity and the cost of hiring temporary replacement workers. Indirect costs aren’t as obvious, yet they are an important factor in the total cost equation and may be two-to-four times higher than direct costs, according to major benefits consulting firms.

When the customer has both CIGNA Disability and CIGNA HealthCare coverage, the chances are greater that early reporting of the disability will occur. CIGNA’s new study showing higher return to work rates and shorter durations as higher for integrated customers is consistent with the findings from a CIGNA Group Insurance study completed in early 2003 based on an analysis of STD claims from 2001 and 2002. That study found that companies whose claims were reported within seven days had STD durations that averaged 10 days shorter than those whose claims were reported 15 days after the start of the disability.

All indications point to promotion of early claim reporting as a cornerstone of better disability return-to-work results. The sooner a disability claim is reported, the sooner expectations for a prompt return to work with the employee and the employee’s physician are set, and the better the understanding that return to work is an important part of the recovery goal.
The study found that 26 percent of “medical episodes” that match to (or occurred when there was also) a short-term disability claim with chronic conditions such as asthma, diabetes, or heart disease. Those 26 percent of medical episodes that stem from chronic health conditions accounted for 52 percent of the STD-related medical costs. (A medical episode is defined as a group of claims all related to one single medical event. For example, if someone’s medical event is a broken leg, and this causes a disability, she may need X-rays, pain medication, and other procedures. All those medical claims would represent one medical episode related to the broken leg.)

**Implications:**

Chronic disease, by its definition, is likely to result in multiple occurrences of absence, yet it is predictable and manageable. Chronic conditions can be identified by using health risk assessments on employee populations to better understand and identify these types of claims, thereby helping to contain both medical and disability costs. Disability due to chronic disease can even be prevented in many cases with disease management and ergonomic programs in place. For example, those individuals with severe diabetes need proper preventative care. If they don’t receive proper care, they are more likely to suffer loss of a limb. By providing services that help manage chronic disease, disability can be avoided.
Almost half — 45 percent — of the expense of treating depression and other mental health conditions stems from individuals who suffer from other disabilities like low back pain or heart disease — not from individuals who seek treatment for the mental health condition itself.

Employees may become disabled because of one diagnosis, but during that time may experience depression or another mental health problem that further complicates the diagnosis. With patients in disease management programs, depression is prevalent among 7 percent with cardiac disease and diabetes, 11 percent with asthma, and 37 percent with low back pain, according to CIGNA Behavioral Health data. Depression is a secondary factor in other disabilities almost half of the time.

**Implications:**
Health and disability professionals must be prepared to take a more holistic view of an individual’s disability, recognize the likelihood of depression, disabling stress or another mental health factor as a hurdle in overcoming disability, and understand when and how treatment is needed. Diagnosing mental health issues early and establishing early treatment are critical steps in managing disability. Having work/life assistance or Employee Assistance Programs in place at work can go a long way toward helping to prevent disability and aid in a faster recovery and return to work when these disabilities arise.
Short-term disability claim-related medical costs — both direct and indirect — often continue after return to work.

Although this varies by diagnosis, medical treatment for ill or injured employees may continue up to 25 days after they have returned to work. While employees may be able to work fulltime, they may not be 100 percent productive while undergoing doctor appointments, physical therapy, and other procedures.

Implications:
An employee back at work but still in need of limited medical treatment may have special needs. Managers and human resource professionals need to keep in mind that the employee may feel more fatigue than normal, and may have difficulty with time constraints in scheduling various medical appointments. Recognizing the employee's needs during this time will help ensure a smoother transition back to work. This will also help set more realistic expectations for job performance for the employee as well as for workloads for colleagues who may need to assume additional responsibilities during this time.

Three Critical Essentials

Critical Moments
• Employees' communications needs are highest:
  - At the time of disability
  - When preparing to return to work
  - While still absent at 90 days

Critical Populations
• Those more prone to dissatisfaction:
  - Musculoskeletal injuries
  - Less workplace experience
  - Lower incomes
  - Protracted disabilities

Critical People
• Those key to communication:
  - Supervisors
  - Case managers

Communication between the disabled employee and the disability case manager as well as the employer continues to emerge as a deciding factor in how quickly an employee returns to work and is able to stay at work.

In 2001, the Gallup Organization, with CIGNA, studied the experience of more than 1,000 adults dealing with various benefit programs while they were out of work and found:

• Employees were twice as likely to return to work if they felt that their communication needs were met;
• Employees need communication “early and often;”
• Different employee groups have different information needs. These are highest at the time of injury or onset of illness, when preparing to return to work, when returning to work, and when still absent after 90 days.

The study concluded that the disability case manager and the disabled employee’s supervisor are often the sole link between out-of-work employees and the company, and that they play a pivotal role in helping an employee return to work and stay at work. As with CIGNA’s new study, findings point to the importance of reaching out to a disabled employee through proactive communication, and understanding an employee’s needs shortly after returning to work.
Most of the Top STD Drivers Match Top Medical Drivers

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<th>% of Costs</th>
<th>STD Rank</th>
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<th>% of Claims</th>
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<td>Respiratory/ Related</td>
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Based on CIGNA's 2002 Data – Medical Baseline and Disability Baseline Studies

**Implications:**

Short-term disabilities may be emerging as a leading indicator of a company’s medical costs. Those companies with accurate disability claim tracking will be better able to review disability trends among the employee population and design prevention and wellness programs that focus on the disabilities that contribute the lion’s share of expenses. High cost and high frequency conditions like musculoskeletal can be controlled more effectively with effective disease management programs, and even avoided with comprehensive prevention programs in place.
How Are Disability and Health Care Processes Coordinated?

There are several points of coordination for an individual with both disability and health care coverage through CIGNA:

**Notification of disability coverage**

When employees have been approved for hospitalization, letters are sent reminding them of their disability coverage and suggesting they submit their disability claims. This communication between systems avoids delays created by having to request medical information from other plans' doctors. The faster CIGNA gets information, the faster a formal return-to-work plan for the individual is created and implemented.

**Immediate transfer to Employee Assistance Programs (EAP)**

CIGNA actively pursues opportunities to immediately connect someone with a disability to a behavioral health counselor if needed. This is done by phone through a quick transfer of the call from the disability nurse case manager to an EAP professional, and takes place with the permission of the disabled individual. Without this kind of “real time” synchronized process, other plans may be hamstrung by time lags in checking the individual’s EAP plan, checking available providers, and then notifying the individual to suggest s/he call the provider. Often, employees won’t follow up on the suggestion to call an EAP professional, which only further delays their recovery and return to work.

**Referral to disease management programs**

When employees surface with a condition caused by diabetes, congestive heart failure, low back pain, or another chronic illness, they are actively referred to CIGNA disease management programs when offered by the employer. Education provided through disease management is a proven strategy for helping to keep employees at work and preventing future disability.

**Coordination of return-to-work and treatment plans**

CIGNA coordinates return-to-work and treatment plans to determine if return to work is well served by the plans. For example, if a treatment such as physical therapy would speed an employee’s return to work, CIGNA verifies that the therapy has been requested so the employee can return to work sooner. While this may appear to increase health care utilization, the costs of lost wages and productivity for many disabilities outweigh the cost of additional medical treatment.

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How Should Companies and Carriers Look at Benefits Differently As a Result of the Study?

The study’s findings should begin to change the way companies and carriers begin to look at disability and health care benefits. It’s clear that disability and health care results can no longer be viewed in silos; they truly are linked. The timeframe of these events and the costs associated with these events needs to change as well.

In the old paradigm, the disability event was considered to start when an employee filed a disability claim and ended when the employee returned to work. The cost associated with that event was seen as mainly the wage replacement/salary continuance cost.

A new paradigm has emerged in the CIGNA study. When employees have a disability and are out of work, this appears to be a leading indicator of their medical costs as well. They may have medical costs that occur before the disability event takes place, such as testing, exams or pharmacy costs. Additionally, while they are out on disability, there are additional medical costs such as surgery, and there may even be additional medical costs associated with other diagnoses that occur from complications or co-morbid conditions, such as circulatory problems as a result of diabetes. It is not uncommon for an individual to have “shadow” costs of mental health, which result when they become depressed from another condition like lower back problems or diabetes and need to be out of work.

Finally, there may continue to be medical, pharmacy, and test costs even after the employees have returned to work. There is a potential for lost productivity during this period and a need for greater understanding and communication on the part of the employer.

Overall, the new paradigm considers disability as a complicated event that needs to be managed in phases: before it occurs, through prevention; during the disability to actively assist the employee back to work; and after the employee has returned to work to ensure the employee has the support necessary to prevent recurrence of disability.
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New Paradigm: True Disability Costs
CIGNA is a business of caring, helping people when they need it most.

As one of the nation’s leading providers of health care, disability, accident and life insurance benefits, CIGNA helps companies succeed by helping to improve the productivity and quality of life of their employees. CIGNA’s wide-ranging, domestic and international capabilities allow the company to create integrated benefits solutions tailored to customers’ specific business needs.

CIGNA is the only health benefits company with its own pharmacy, behavioral, dental, vision and disability businesses, so the company is able to provide industry-leading services that treat “the whole person.” And because CIGNA has one of the country’s best medical management programs, CIGNA helps produce better outcomes for members, while lowering overall costs for employers. In fact, in 2003 CIGNA HealthCare had higher HEDIS® “effectiveness of care” scores in more categories than any national competitor.

More than 40 percent of Fortune 1000 companies have chosen CIGNA.
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