

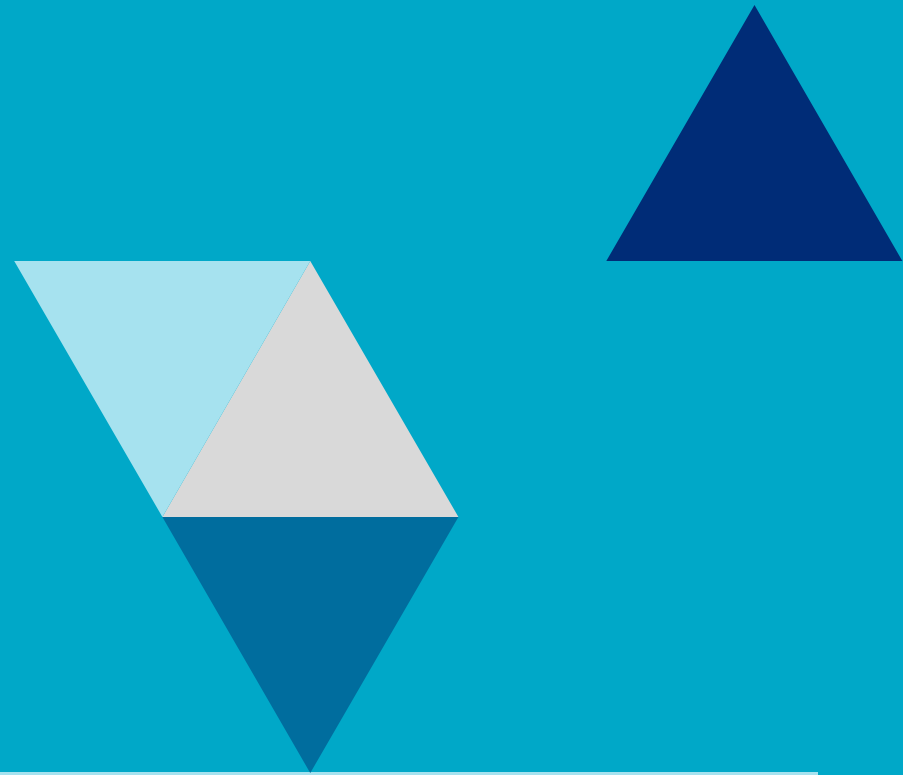
HEALTH WEALTH CAREER

# DISCUSSION ON 2018 ABSENCE AND DISABILITY MANAGEMENT SURVEY AND TRENDS

SEPTEMBER 18, 2019



# TOP STORIES



# ABSENCE AND DISABILITY THIS YEAR'S TOP STORIES



**Paid parental leave goes mainstream**



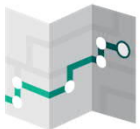
**Employers recognize value in paid leave to care for family members**



**Outsourcing is increasingly the way to administer leave**



**FMLA remains a pain point**

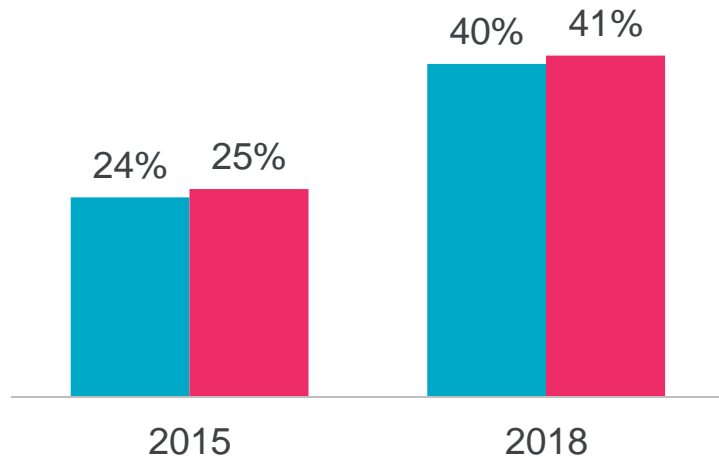


**The Next Frontier: State and local leave**



**When it comes to unlimited PTO, there's more smoke than fire**

# ABSENCE AND DISABILITY PAID PARENTAL LEAVE GOES MAINSTREAM



- Parental bonding/care leave for birth parent - after maternity leave related to disability ends
- Parental bonding/care leave for non-birth parent - begins at birth

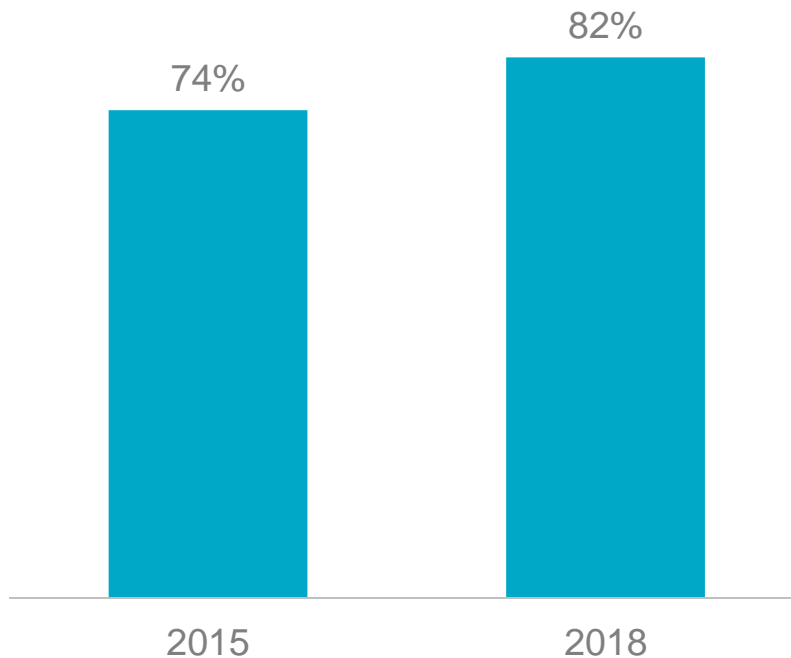
MEDIAN # WEEKS PAID LEAVE	2015	2018
For birth parent (begins when disability ends)	6	6
For non-birth parent (begins at birth)	4	4

2/5 of employers now offer paid parental leave. While reported prevalence of parental leave is higher, the median number of weeks allowed remains unchanged.



# ABSENCE AND DISABILITY EMPLOYERS RECOGNIZE VALUE IN PAID LEAVE TO CARE FOR FAMILY MEMBERS

Employees can use sick days to care for family members\*



\* Among respondents that provide paid incidental absence / sick days to employees

More respondents are allowing employees to use their sick days to care for a sick family member increased. In addition, nearly 1/5 of respondents report offering paid leave for employees to care for a sick family member.



# ABSENCE AND DISABILITY OUTSOURCING IS INCREASINGLY THE WAY TO ADMINISTER LEAVE

The survey shows steady increases in employers who outsource leave administration, across employers of all sizes.



	OUTSOURCED/ CO-SOURCED	
	2015	2018
<b>FML</b>	<b>40%</b>	<b>44%</b>
<b>STD</b>	<b>61%</b>	<b>67%</b>
<b>LTD</b>	<b>72%</b>	<b>80%</b>
<b>Parental leave</b>	<b>23%</b>	<b>26%</b>
<b>Mandated state and local leave</b>	<b>34%</b>	<b>43%</b>
<b>ADAAA</b>	<b>17%</b>	<b>18%</b>

# ABSENCE AND DISABILITY FMLA REMAINS A PAIN POINT

## Top priorities for absence programs

Improving FML administration

47%

Measuring and/or reducing impact of absence on operations

36%

More effective tracking and reporting for disabilities

36%

More effective tracking/reporting for incidental absence/sick days

30%

Consistent RTW approach for occ. & non-occ. disabilities

27%

Improving FMLA administration, despite increases in outsourcing, remains a top concern for employers as the usage of leave – continuous and intermittent, as well as ADAAA accommodation requests – continues to increase.



# ABSENCE AND DISABILITY THE NEXT FRONTIER: STATE AND LOCAL LEAVE

55%

Support the concept of a voluntary federal minimum standard under ERISA for paid leave\*

64%

Have seen an increase in resources to handle state and locally mandated paid leave over the past five years

19%

Cite compliance with state or local requirements as the most important reason for transitioning from a traditional vacation/sick plan to PTO

Nearly 2/3 of respondents report that they have had to increase resources to support the growth in state and local leave mandates. Perhaps it's not surprising that most employers support legislation like the *Workflex in the 21<sup>st</sup> Century Act* which would allow employers to establish minimum leave requirements under ERISA in order to be exempt from state and local requirements.



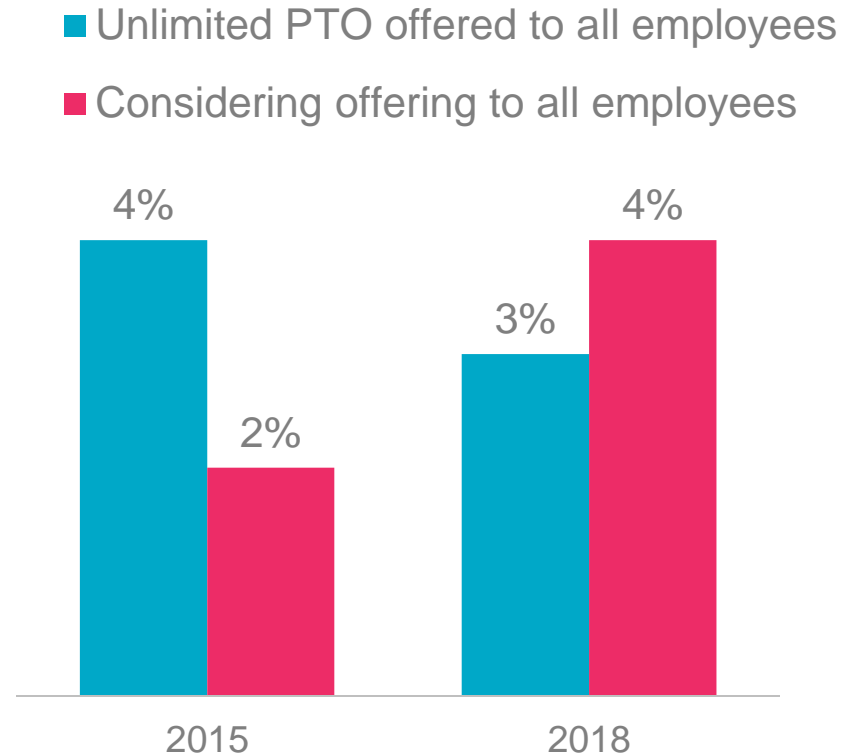
\*If met, would shield employers from having to comply with state and local requirements



# ABSENCE AND DISABILITY

## WHEN IT COMES TO UNLIMITED PTO, THERE'S MORE SMOKE THAN FIRE

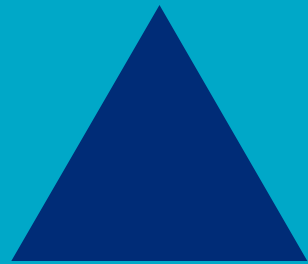
Unlimited PTO gets a lot of press, but survey results show little change in the use of such a strategy over the past three years.



# AMERICANS WITH DISABILITY ACT THE LEGAL ENVIRONMENT

Employer	Issue	Cost to Resolve
Pactiv LLC	Not allowing intermittent leaves or extension of leave of absence as an ADA reasonable accommodation	\$1.7 Million
Princeton Health Care System	Employees were terminated after 12 weeks of FMLA usage or short term absence. Requiring 100% recovery upon return to work rather than reasonable ADA accommodation	\$1.35 Million
Supervalu	Termination of approximately 1,000 employees at the end of medical leave without considering accommodations	\$3.2 Million
Sears	Automatic termination policy and failure to accommodate employees injured at work	\$3.2 Million
Verizon	Failing to offer a "no fault" attendance policy for employees with disabilities as an ADA accommodation	\$20 Million

# ABSENCE AND DISABILITY MANAGEMENT STRATEGIES



## HEALTH MANAGEMENT PROGRAMS INTEGRATED WITH DISABILITY PROGRAMS (SCREENING, REFERRAL PROTOCOLS, ETC.)

	% of respondents
EAP	22%
Wellness	12%
Disease / condition management (DM)	8%
Behavioral health	8%
Health advocacy	8%
Work / life balance	7%
Health risk assessment	6%
Other	2%
No formal links, but planning to establish	14%
No formal links	61%

# ADMINISTRATION OF ABSENCE MANAGEMENT PROGRAMS

	CENTRALIZED IN-SOURCE	DECENTRALIZED IN-SOURCE	OUTSOURCED/ CO-SOURCED	DO NOT OFFER
FML	47%	9%	44%	1%
STD	26%	3%	67%	4%
LTD	17%	2%	80%	1%
Parental leave	46%	6%	26%	22%
Mandated state and local leave	41%	9%	43%	8%
ADAAA	65%	14%	18%	2%

# LEAVE ADMINISTRATION SOFTWARE SOLUTIONS TRENDS AND OPTIONS

- With the emergence of new law, state sick leave programs and parental leave, employers are faced with new challenges to manage employee leaves
- Many models have evolved that allow employers to have more flexibility when electing either a fully outsourced or insourced program
- The following outlines the pros and cons of each model:

## In-House Management Pros

- Team managing the events can create processes and procedures that best fit with the organizations culture
- Employees have “internal” contacts who understand their day to day jobs and roles
- Understanding of payroll/timekeeping systems

## In-House Management Cons

- Lack of software systems may make administration a challenge and disability is often just a payment stream that lacks medical management
- Potential compliance risks (i.e., monitor changing regulations)
- Ties up internal resources

## Outsourcing Pros

- Ensures consistency of processes, procedures and communications. Integration with other programs.
- New laws are regularly updated. Compliance is the responsibility of the vendor
- Scalable and allows for employer resources to conduct other activities

## Outsourcing Cons

- Employees contact a third party
- Less flexibility to change administration protocols
- External groups provide file feeds or reports for payroll/timekeeping updates. May be challenging to establish

# HOW EMPLOYERS COMPLY WITH STATE AND LOCAL PAID LEAVE REQUIREMENTS

Track and comply with all applicable state and local rules



Hire a third party to monitor and help comply with state and local rules



Establish a leave policy expected to exceed state/local laws to ease administration of paid leave



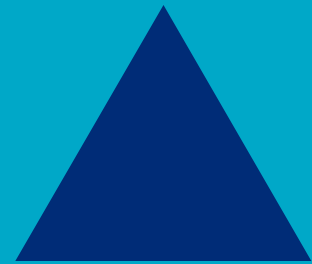
Maintain a single national policy based on the most generous state/local leave law with which the employer must comply



Other



# FAMILY AND MEDICAL LEAVE



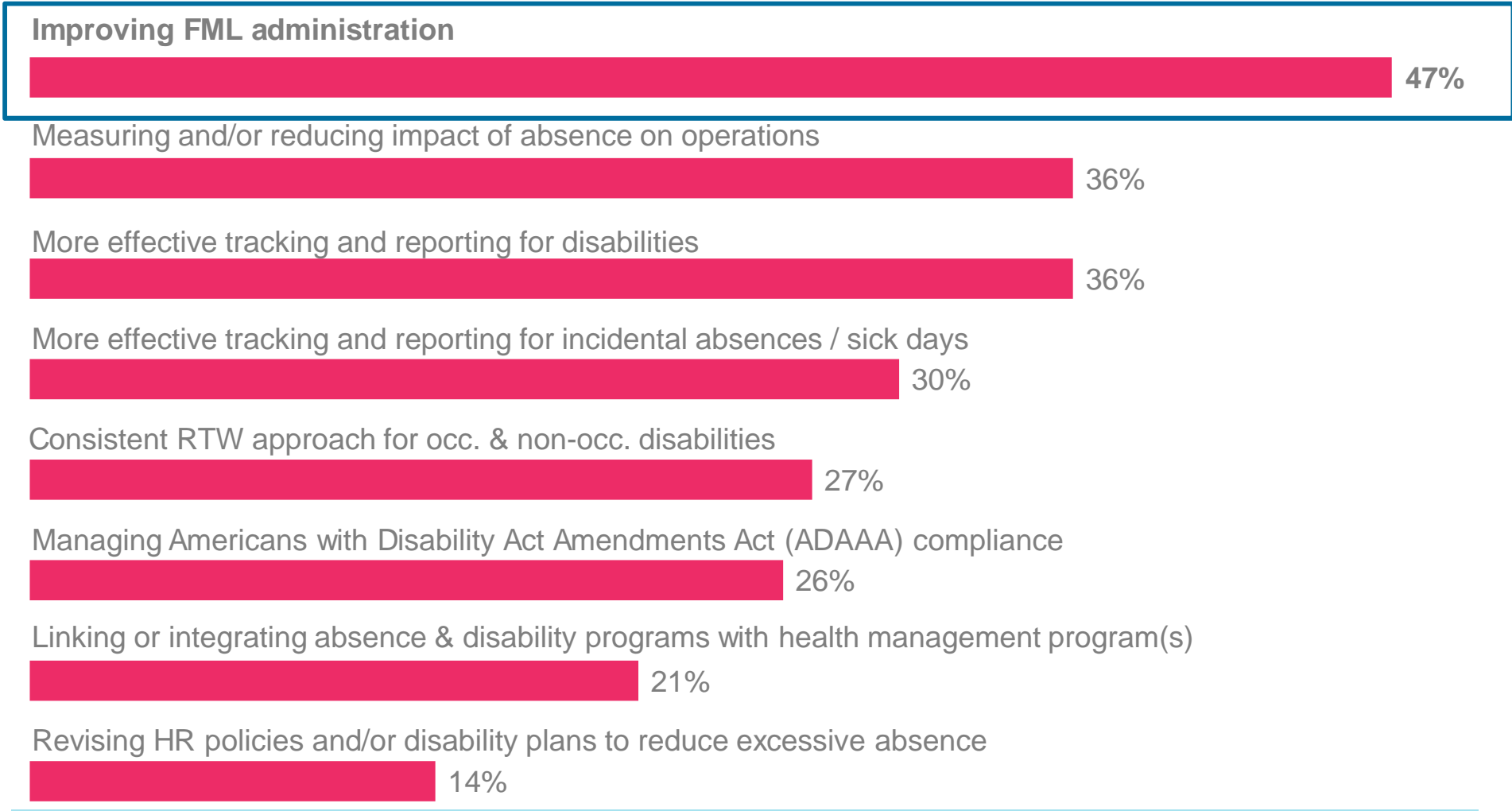


## MORE SURVEY RESPONDENTS REPORT INCREASE IN NUMBER OF LEAVE REQUESTS

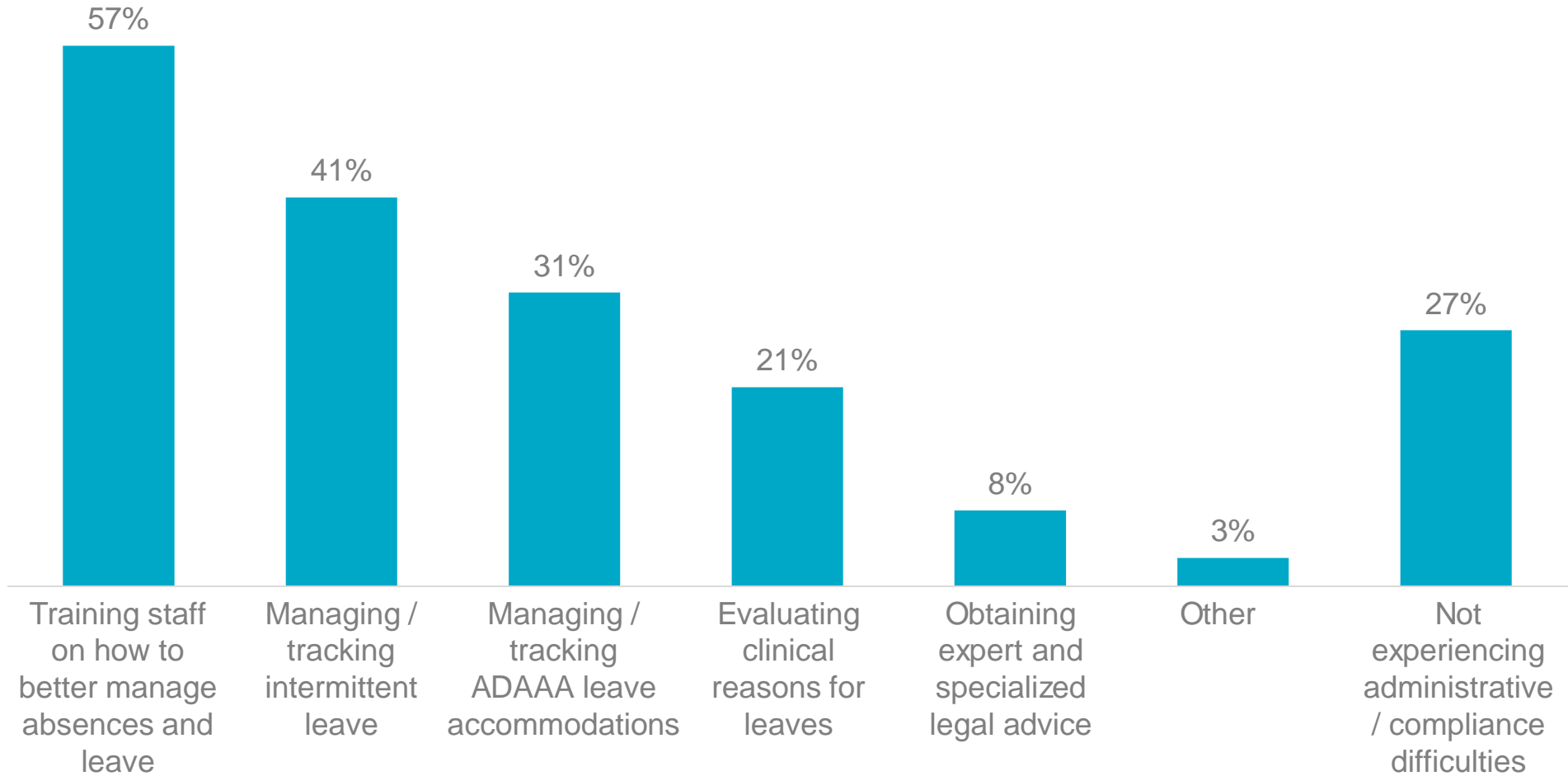
	% OF RESPONDENTS THAT SAY LEAVE REQUESTS HAVE INCREASED OVER THE PAST 2-3 YEARS		
	2013	2015	2018
FMLA / LOA leaves overall	36%	55%	58%
Intermittent leave	33%	41%	45%
ADAAA leave accommodation	30%	32%	34%

# PRIORITIES FOR ABSENCE PROGRAMS

FML remains a pain point



# ADMINISTRATIVE OR COMPLIANCE DIFFICULTIES EMPLOYERS ARE EXPERIENCING WITH FML



# LEAVES OFFERED

	PAID LEAVE OFFERED	UNPAID LEAVE OFFERED	LEAVE NOT OFFERED (STATUTORY BENEFIT ONLY)	MEDIAN % OF SALARY COVERED (WHEN PAID)
Medical leave beyond what's required by law (FML and/or any state family leave)	40%	35%	25%	80%
Jury duty, beyond what's required by law	61%	16%	23%	100%
Bereavement (for family member)	89%	8%	3%	100%
Sabbaticals	7%	19%	74%	100%
Military Leave	40%	41%	19%	100%
Leave to care for sick family member	19%	57%	24%	100%

# LENGTH OF PAID LEAVES

Among respondents that offer paid leave

	EMPLOYER PLACES LIMIT ON LENGTH OF PAID LEAVE	AVERAGE TIME LIMIT	MEDIAN TIME LIMIT
Medical leave beyond what's required by law (FML and/or any state family leave)	77%	25 weeks	26 weeks
Jury duty, beyond what's required by law	56%	15 days	10 days
Bereavement (for family member)	93%	4 days	3 days
Sabbaticals	87%	11 weeks	7 weeks
Military Leave	62%	48 weeks	25 weeks
Leave to care for a sick family member	86%	9 weeks	8 weeks

# UP AND COMING GETTING PREPARED FOR TOMORROW

- Paid Family & Medical Leave is seeing an increase all over the country
- Eight U.S. states and the District of Columbia have paid family and medical leave laws on the books

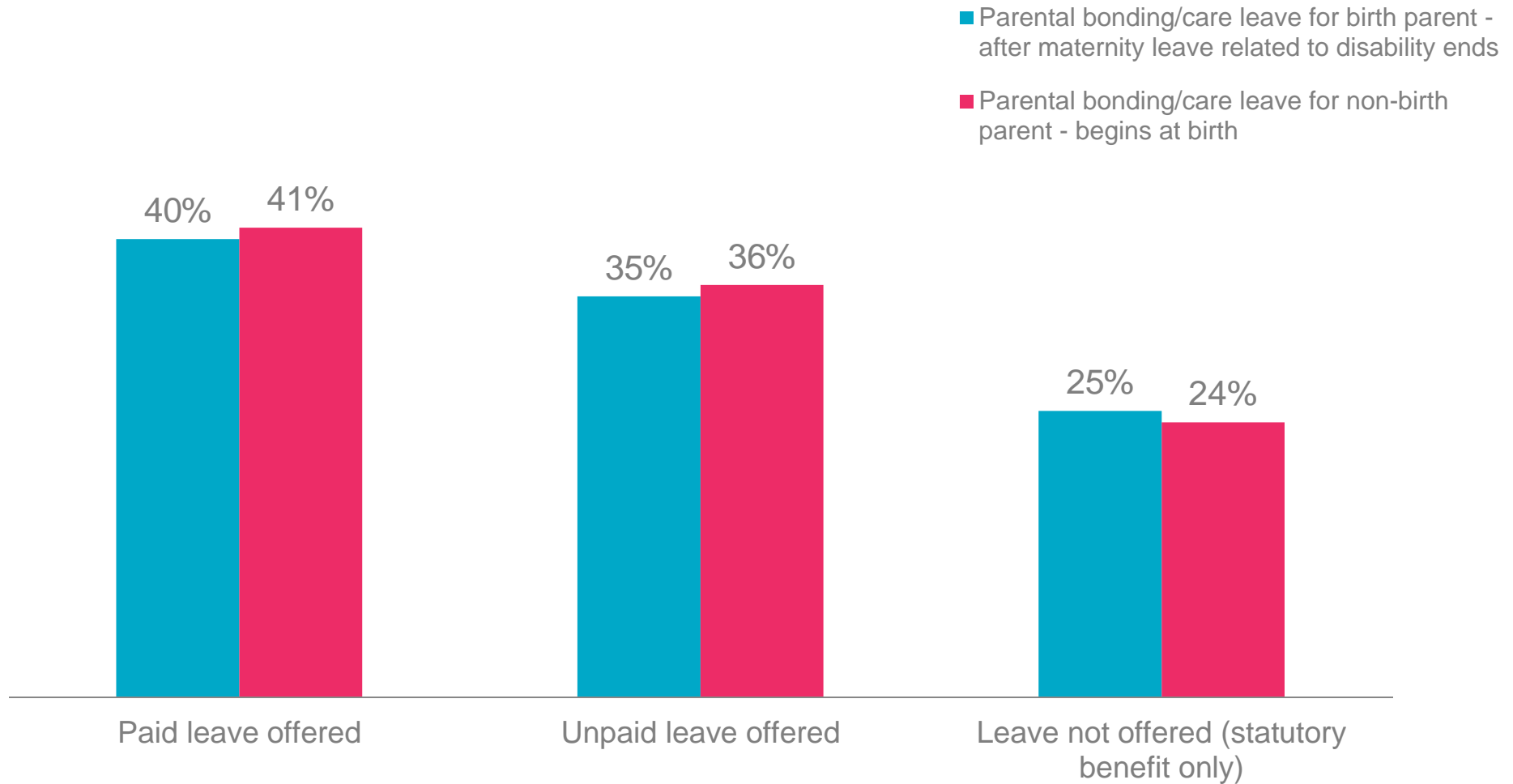
	D.C.	Washington	Massachusetts	Oregon
Effective Date	7/1/2020	1/1/2020	Benefits begin on January 1, 2021	Benefits begin January 1, 2023.
Purpose	1) EE's own health condition 2) Bonding 3) Care of a family member	1) EE's own health condition 2) Bonding 3) Care of a family member 4) Military needs	1) EE's own health condition 2) Bonding 3) Care of a family member 4) Military needs	1) EE's own health condition 2) Bonding 3) Care of a family member 4) Military needs
Benefit Duration	<b>Own Illness:</b> 2 weeks <b>Bonding:</b> 8 weeks <b>Family Care:</b> 6 weeks	12 weeks	<b>Own Illness:</b> 20 weeks <b>Family Care:</b> 12 weeks <b>Bonding:</b> 12 weeks	<b>Own Illness or Family Care:</b> 12 weeks <b>Bonding:</b> 6 weeks (separate benefit)
Benefit Amount	90% of AWW up to a cap, weekly max of \$1,000	90% of AWW up to a cap, weekly max of \$1,000	80% of a worker's average weekly wage up to an amount equal to 50% of the SAWW  weekly max of \$850.00	120% of the SAWW up to a cap, based on sliding scale
Funding	ERs cover full cost by contributing .62% of covered EE wages	<b>Medical Leave:</b> .27% of wages up to a cap shared by ER & EE  <b>Family Leave:</b> .13% of wages up to a cap paid by EEs only	<b>Medical Leave:</b> .62% <b>Family Leave:</b> .13% 0.75% of wages on the first \$132,900 of an individual's annual earnings-applies to wages PAID after 10/1/19	Employers contribute 40% of the premiums, and all employers can withhold 60% of the premium from workers' wages up to a cap

<https://www.abetterbalance.org/resources/paid-family-leave-laws-chart/>

# PARENTAL LEAVE



# PAID PARENTAL LEAVE BECOMING INCREASINGLY COMMON



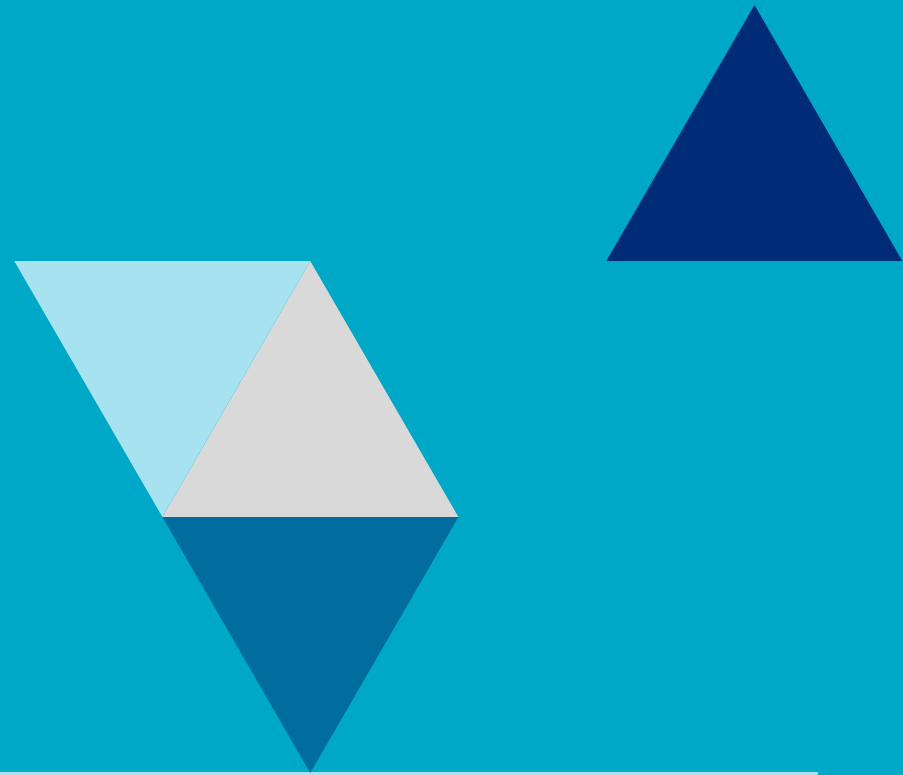


# PAID PARENTAL BONDING/CARE LEAVE PROGRAM DESIGN

	PAID LEAVE OFFERED	% OF SALARY COVERED DURING PAID LEAVE		DURATION OF PAID LEAVE, IN WEEKS	
		AVERAGE	MEDIAN	AVERAGE	MEDIAN
For birth parent (begins when disability ends)	40%	96%	100%	9	6
For non-birth parent (begins at birth)	41%	99%	100%	7	4
Adoption leave	38%	99%	100%	9	8

# Questions?

# APPENDIX



# LEAVE ADMINISTRATION SOFTWARE SOLUTIONS

## HOW MERCER CAN HELP

- Mercer's LAD team can assist with choosing the best vendor to suit your needs
  - Obtain individual customized quotes
  - Provide price comparisons
  - Project software implementation and operation costs
  - Bid to engage best vendors
  - Compare and choose software options best suited to your needs
- Mercer's LAD team can ensure software is operating effectively and efficiently
  - Review software implementation to suit all business needs
  - Ensure software is operating in accordance to leave laws
  - Provide subject matter consultation
  - Analyze the costs and benefits of utilizing the software



**MERCER**

**MAKE TOMORROW, TODAY**