

Disability Insurance Trends: The Impact Of The Economy And A Changing Workforce



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Introduction

As the U.S. economy emerges from the Great Recession, American employees face a long financial recovery. The hardships resulting from the drop in employment depleted 15 years of net worth from the middle class.¹ This loss of personal wealth has manifested itself in a number of ways — and has had a major impact on employers as the demographic makeup and behaviors of their employees are changing.

The recession, in conjunction with higher health care costs over the last 12 years,² has altered the future of the workplace. Lower employee net worth is forcing employees to delay retirement and stay in the workplace longer so they can recoup money lost during the Great Recession. This change is helping to drive a workplace demographic makeup unlike anything seen before.

By the year 2020, five generations will occupy the workplace, ranging from “traditionalists” born before 1946 to “Generation 2020” — those born after 1997.³ This influx of different ages and perspectives in the workforce will require a change in the relationship between employee and employer, including workplace communications, leadership structure and, above all, benefits offerings and related costs.

These circumstances — the recession, increased health care costs and a multigenerational workforce — will make employer-sponsored disability insurance and related services more valuable during the next decade. These benefits will help employers deal with challenges presented by the changing workforce and hedge against rising health care costs.

This white paper, *Disability Insurance Trends: The Impact Of The Economy And A Changing Workforce*, will investigate four trends in the workplace that are resulting from the rising costs of health care and reduced personal wealth. In addition to defining how these trends developed, it will examine the impact on organizations and how employer-sponsored disability benefits can help reduce costs for employers, while in many cases, increasing an employer’s bottom line.

Lower employee net worth is forcing employees to stay in the workplace longer — delaying retirement — so they can recoup money lost during the Great Recession.

1 J. Bricker, A. Kennickell, K. Moore and J. Sabelhaus Changes in U.S. Family Finances from 2007-2010. Federal Reserve Bulletin, 2012.

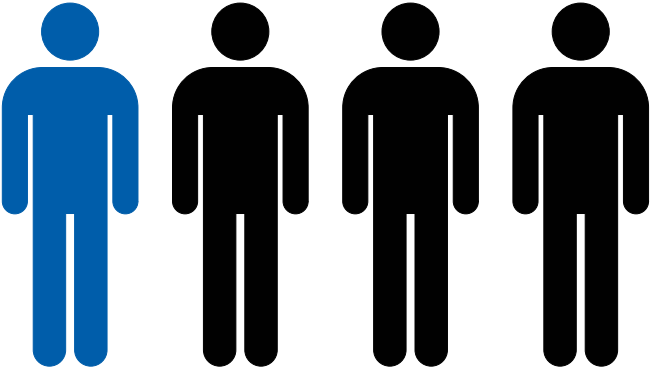
2 Premiums, Cost-Sharing and Coverage at Public, Private and Non-Profit Employers: A View from the 2012 Employer Health Benefit Survey. Available at: <http://www.kff.org/insurance/snapshot/chcm112012oth.cfm>. Accessed February 22, 2013.

3 Standard Insurance Company website. Available at <http://workplacepossibilities.com/webinar-recap/>. Accessed February 22, 2013.

Trend One: Baby Boomers Postponing Retirement

Baby boomers were hit hard in the Great Recession. The 79 million Americans born between 1946 and 1964 account for 26 percent of the total U.S. population,⁴ and the oldest members of this age group are just now reaching retirement age.

However, unlike the preceding generation, baby boomers reaching retirement age have significantly lower assets and higher expenses, requiring them to stay in the workforce longer. This financial situation is not allowing them to retire at what was previously considered a “normal” age of 55 to 65.



Baby Boomers
The 79 million Americans born between 1946 and 1964 account for 26 percent of the total U.S. population.⁴

⁴ Pew Research Center. Baby Boomers Approach Age 65 – Glumly. Available at <http://www.pewsocialtrends.org/2010/12/20/baby-boomers-approach-65-glumly/>. Accessed February 22, 2013.

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As employees work longer, employers will be affected in two ways: through higher health care costs and the increased potential for an employee to become ill or injured and require a disability leave. The increase in costs and decrease in productivity could have a significant impact on an employer's bottom line.

Robust return-to-work and stay-at-work programs will be essential to keeping baby boomers productive and manage increased health care costs. A disability and absence management program, such as Standard Insurance Company's Workplace PossibilitiesSM program, places an on-site consultant with an employer to identify individualized return-to-work and stay-at-work strategies that make sense for the employer and their workforce.

Many employers have implemented health management programs aimed at improving employee health and reducing health care costs. These programs are beneficial for employers, connecting at-risk or disabled employees with:

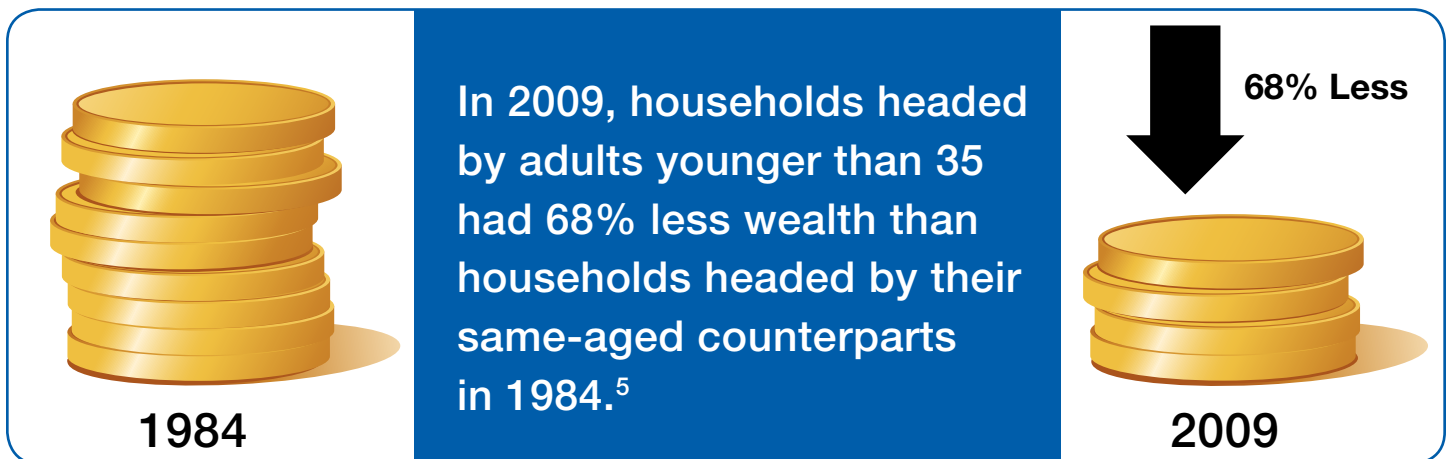
- Employee assistance programs (EAPs), which give employees access to a personal counseling service for themselves and their family members
- Disease management, which targets specific medical conditions prevalent in a workforce and offers screening, case management and treatment solutions
- Wellness and health promotion, which attempts to improve the health of all employees by targeting broad health-related goals such as smoking cessation, weight loss and nutrition

These health management programs perform better for employers when used in conjunction with innovative programs for managing absence and disability. This way, employers can help reduce the cost and impact of employee absence and disability and improve productivity.

Trend 2: Generation X And Millennials Doing More With Less

As baby boomers stay at work longer and postpone their retirement, it adds to the burden on Generation X (individuals born between 1965 and 1980) and the millennial generation (also known as Generation Y, who were born between 1981 and 2000). Baby boomers' longer tenure will slow the progression up the organizational ladder for these age groups.

Generation X and Millennials have been subjected to the pressures of an uncertain economy and saw their finances deteriorate significantly between 2001 and 2010. According to a recent Pew Research Center study, in 2009, households headed by adults younger than 35 had 68 percent less wealth than households headed by their same-aged counterparts in 1984.



Along with decreased net worth, flat salaries and increased family costs — including child care, elder care and family health care — have forced this age group to do more with less. Generation X and Millennials are financially insecure at a time of their life when they are stretched thin by family commitments. This “sandwiched” generation will need to use Family and Medical Leave Act (FMLA) benefits more to take care of older and younger family members.

⁵ Pew Research Center. The Rising Age Gap in Economic Well-Being. Available at: <http://www.pewsocialtrends.org/2011/11/07/the-rising-age-gap-in-economic-well-being/>. Accessed February 22, 2013.

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As obligations increase for these workers and they struggle to find resources to pay for services, they often spend time at work on non-work responsibilities.

Employers are seeing more use of leave from these age groups to take care of family-related matters. While older workers may not use absence programs due to their values (e.g., workers priding themselves on not taking a sick day), younger generations are fully using these benefits, especially since they cannot always afford to pay for needed services.

Employers can provide more flexibility, including options on when and where employees can complete their work, as a benefit to make up for salary limitations. To that end, it is essential for an employer to have a comprehensive absence management program for tracking use of FMLA leave.

Services such as Health Advocate, which is included with The Standard's absence management services, in addition to EAP solutions can help Generation X and Millennials keep up with the demands on their lives and help employers better manage workplace productivity. These programs track intermittent leaves and reduce the HR burden of administering leaves, helping to ensure that benefits are used correctly.

Concierge services provided through an EAP can save time for employees by helping them to connect quickly with family care resources and navigate health care benefits. These resources can take immense pressure off of employees and provide them with well-needed options to explore.

Trend 3: Increasing Disability Incidence

In addition to limiting job mobility, continued economic sluggishness is contributing to an increased incidence of disabilities in the workforce. New Social Security Disability Insurance (SSDI) applications reached a historic high of 2.9 million in 2010.⁶ Major drivers of this increase were the poor economy and high unemployment rate.⁷

Data from the most recent Long-Term Disability Claims Review from the Council for Disability Awareness shows that musculoskeletal and mental disorders were the diagnoses most commonly mentioned by insurers as increasing in 2011.⁸ Twenty-nine percent of participating companies reported increased musculoskeletal claims, and 29 percent reported increased mental disorder claims.

Many employers are doing more with less due to the economy, putting additional strain on already overworked employees. The rise in both musculoskeletal and mental health disorders is due in part to increased workloads, stress and, at times, longer working hours.

An employee's mental health and work environment are uniquely related, and when out of balance, they can result in excessive stress, depression and anxiety. Other problems might include fatigue, insomnia, stomach disorders and hypertension.⁹

In addition, diseases of the musculoskeletal system and connective tissue resulted in nearly 3 in 10 new disability claims.¹⁰ Musculoskeletal disorders can include carpal tunnel syndrome, tendinitis and nerve damage.

6 Social Security Administration website. Disabled worker beneficiary statistics. Available at: <http://www.ssa.gov/oact/STATS/dibStat.html>. Accessed February 22, 2013.

7 Congressional Budget office. Policy Options for the Social Security Disability Insurance Program. Available at: http://www.cbo.gov/sites/default/files/cbofiles/attachments/43421-DisabilityInsurance_screen.pdf. Accessed February 22, 2013.

8 Council for Disability Awareness website. Available at: http://www.disabilitycanhappen.org/research/CDA_LTD_Claims_Survey_2012.asp. Accessed February 22, 2013.

9 HR.BRL.com website. Are Your Employees Stressed Out? Help Them! March 2, 2012. Available at: <http://hr.blr.com/whitepapers/Benefits-Leave/Employee-Wellness/Are-Your-Employees-Stressed-Out-Help-Them/>. Accessed January 15, 2013.

10 Council for Disability Awareness website. Available at: http://www.disabilitycanhappen.org/research/cda_ltd_claims_survey_2011.asp. Accessed December 10, 2012.

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Regardless of the type of injury or illness, disabilities are becoming more prevalent among workers and warrant employer strategies to address them. For employers that self-insure, increased disability risks can be difficult to manage financially, but investments in early intervention and return-to-work and stay-at-work programs are key to curbing these numbers.

Fully insured disability plans can help reduce financial risk for employers and can alleviate the impact of some disabilities on their workforces. In addition, programs such as Workplace Possibilities feature behavioral experts to minimize workplace stress and ergonomic expertise to reduce the impact of musculoskeletal issues.

The Workplace Possibilities on-site consultant or related experts can often intervene early and connect an at-risk employee with the employer's EAP to treat his or her unique situation.

Trend 4: Cost-Shifting Solutions

During tough economic times, the rising costs associated with keeping employees healthy may deter employers from providing employer-paid long-term disability benefits to their employees.

If an employer cannot provide long-term disability insurance, they might offer a voluntary product, and let their employees choose whether they want the coverage. Many employers might justify this cost-shifting of disability benefits to employees in order to stay in the black during lean economic times.

While this could seem like a smart business move for the near-term, enrollment levels for voluntary products are likely to decline over time, especially given the financial situations that Generation X and Millennials are facing. These age groups may not understand the need for voluntary long-term disability coverage, which could contribute to low enrollment numbers for these products.

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Shifting employer-sponsored long-term disability benefits to employee-elected plans often leads to insurance coverage gaps that can negatively affect productivity and increase an employer's health care costs.

If employees do not elect voluntary coverage, they have limited choices if they do become disabled:

- An employee can leave work and apply for SSDI disability (which has a 35 percent approval rate) with the possibility of financial ruin in 28 months if not approved.¹¹
- An employee can continue working through the illness or injury as long as possible.

With the low approval for filing an SSDI claim, many employees without disability coverage choose to stay at work and work through their illness or injury, as they don't have the safety net of income replacement. This can contribute to decreased productivity. Also, employees who take leave for medical conditions might have worked at a lower level of productivity while experiencing the conditions that led to the disability leave.

While employer-sponsored disability insurance is the best safety net for employees, voluntary disability insurance can help protect employees from the risks associated with a disabling illness or injury and still help curb costs. The key to offering this protection is high employee participation, as the best plans have more than 80 percent of employees enrolled.

To encourage participation in voluntary plans, employers need to educate employees on the importance of this coverage. Communicating the benefits of a voluntary plan -- including explaining how a plan can protect your employees and their income should they become disabled -- will help them understand the need for this coverage and can encourage enrollment.

Maximizing enrollment can further protect an employer's bottom line, as employees will feel protected when taking a disability leave of absence, and may not feel the need to work through a severe illness or injury.

¹¹ Premiums, Cost-Sharing and Coverage at Public, Private and Non-Profit Employers: A View from the 2012 Employer Health Benefit Survey. Available at: <http://www.kff.org/insurance/snapshot/chcm112012oth.cfm>. Accessed February 22, 2013.

Conclusion: The Case For Disability Insurance

Overall, disability insurance will become highly relevant in the next decade as health care costs and utilization of leave programs increase. Programs that manage absence and disability will continue to be a resource for employers to help keep employees at work and productive.

In addition, other employer initiatives like wellness programs and EAPs can be the key to enabling baby boomers to be productive and helping to control increasing health care costs. The level and age of an employer's workforce can significantly affect disability leaves and health care costs, especially as new generations are not shy about using their benefits.

With the workplace dynamic shifting, employers need to focus on the health and wellness of their employees now to avoid paying for it later.

About The Author And The Standard

About Alex Dumont

Alex Dumont is the Assistant Vice President of Product Marketing for The Standard. In this role, Alex leads product management and development for The Standard's group insurance and retirement plans products and services, including Group Life and Accidental Death and Dismemberment, Long- and Short-Term Disability, Dental and Vision insurance.

About The Workplace Possibilities Program

The Workplace PossibilitiesSM program is a unique, proactive approach to helping employers prevent and manage employee absence and disability. A Workplace Possibilities on-site consultant helps to connect employees with their health management programs and identifies opportunities to keep at-risk employees on the job or help them return to work faster. By doing so, the program delivers rapid and measurable reductions in absence- and disability-related costs. For tips and tools HR professionals can use to help re-imagine the way they manage absence and disability, visit www.workplacepossibilities.com.

About The Standard

The Standard is a leading provider of financial products and services, including Group and Individual Disability insurance, Group Life and Accidental Death and Dismemberment insurance, Group Dental and Vision insurance, Absence Management Services, Retirement Plans and Services, Individual Annuities and investment advice. For more information about The Standard, visit www.standard.com.

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