

Effectively Managing Employee Absence

We're Going to Outsource FMLA...Now What?



Winter, 2011

www.tbxpartners.com

We're Going to Outsource FMLA...Now What?

According to the Society of Human Resource Management, 80% of human resources professionals have difficulty tracking and administering intermittent FMLA leave. This widespread administrative difficulty, coupled with the numerous compliance, technological, and early intervention disability management challenges associated with in-house FMLA management, leads many large employers to consider outsourcing their FMLA and Absence Management processes to a third-party vendor. However, despite recognizing the need to outsource, employers are often hesitant to begin the process, as the task of vendor selection and outsource implementation looms as a complex and daunting process.

By taking a comprehensive and strategic approach to vendor selection and solution implementation, employers can better ensure that the outsourcing implementation process is smooth and achieves the desired results: the generation of long-term productivity efficiencies, the facilitation of early intervention of disability and workers compensation claims, and the assurance of compliance with the vast array of state and federal leave laws. Below are representative questions employers should ask, in partnership with their broker or consultant, to ensure their vendor selection is based on appropriate due-diligence, and the outsourced solution will meet their desired objectives.

“Employees who took family FML leave were twice as likely to file their own STD claim in six months.”

*Unum,
March 2009*

Technological Integration:

Efficient management of the Absence Management transition process depends upon the seamless transfer of data between the existing human resource information system (HRIS) infrastructure and that of the chosen vendor. Employers should carefully analyze the potential vendors to choose one that can establish data transfer protocols in a format acceptable to the current HRIS, which will make both the initial implementation and the ongoing process much smoother. Once the data transfer system is established, HR resources will no longer be consumed by Absence Management administration, and can better focus on process communication, engagement strategy, and employee productivity management.

Key Questions:

- 1) Does your potential outsourced FMLA/Absence Management vendor have experience working with your specific HRIS system(s)?
- 2) Can the potential FMLA/Absence Management vendor accept and send daily data feeds with current eligibility data, including specific mapping requirements suggested by your IT team?
- 3) Will the potential vendor provide a dedicated technology implementation specialist to coordinate initial implementation of the data feeds?

Intake:

An employer's first experience with the Absence Management submission process has a significant impact on the overall perception and acceptance of the newly engaged approach. The intake process should be structured to capture all of the necessary information during the first interaction, thereby providing a seamless intake process that provides accurate information and sets favorable employee

expectations for the long term. A positive first impression can go a long way towards establishing respect for the new Absence Management process among the employees' management and employees, which will result in fewer instances of abuse and more effective return-to-work efforts going forward.

Key Questions:

- 1) Does the potential vendor have the ability to provide integrated intake with respect to FMLA, STD, Vacation, PTO, State Leave and/or Workers Compensation?
- 2) Do the hours of call-center operation align well with your hours of site operation (e.g., multiple shifts, varied time zones, etc.)?
- 3) Are call-center calls recorded for quality assurance and dispute resolution? If so, how long are these recordings saved?
- 4) What is the average wait time for call pick-up? What percentage of wait times exceed 1 minute? What is the average duration of each call?

Intermittent Leave Tracking:

Management of Intermittent leave is among the greatest challenges facing employers that manage leave in-house, and is often a key factor in the decision to outsource administration. Selecting a vendor with robust intermittent leave tracking resources allows an organization to more effectively manage leave duration and plan for future staffing contingencies, resulting in greater operational effectiveness.

Key Questions:

- 1) What is the smallest increment of intermittent leave the vendor is capable of tracking?
- 2) What are the vendor's processes to notify supervisors of employees requesting leave?

- 3) Does the vendor have an auto-notification process so that site specific HR managers receive real-time notice of a new leave request so that they can manage staffing needs effectively?

Integrated Disability/Leave Management:

Many employees receiving benefits under a company's STD policy are also entitled to FMLA leave benefits. The ability to track and manage concurrent absences can reduce the likelihood of employees receiving more leave benefits than legally required or organizationally intended. Integrated tracking also allows the employer to intervene early in the leave period and fashion appropriate solutions, reducing absence durations and lost productivity costs.

*"Between 50%
and 70% of
FMLA leaves are
also STD leaves."*

*Unum,
January 2009*

Key Questions:

- 1) Is the potential vendor an insurance vendor or third-party administrator capable of integrating intake of multiple types of leave and coordinating interaction with employees to ensure early intervention and reduced leave time?
- 2) Because "Integrated Disability Management" can mean different things to different vendors, can the potential vendors define the term in the context of its specific Absence Management offering?
- 3) Does the vendor provide reporting for all leave categories, enabling the employer to compare utilization rates of the different categories and analyze potential discrepancies?
- 4) Does the vendor's integrated leave intake and management process reduce administrative paperwork?
- 5) Does the vendor have proven experience managing fully integrated disability management accounts?

Reporting:

Employers internally managing FMLA repeatedly express concern about their inability to accurately gauge utilization and identify leave trends. By outsourcing to the proper third party vendor, an employer will gain access to that vendor's specialized reporting and trend analysis tools. With the new ability to identify problem areas through data stratification, an organization can develop targeted supervisor and employee process education, compare organizational unit utilization, reward those supervisors who embrace the new process, and focus enforcement resources on areas of suspected abuse.

Key Questions:

- 1) What "on demand" reports are available via the vendor's secure employer management website?
- 2) Is "real time" drill down available to determine utilization at a specific location, and is the particular reason for the leave recorded for non-concurrent claims?
- 3) Does the vendor provide trending analysis resources and alerts designed to warn you of developing issues, enabling your organization to address these issues before they become significant challenges?
- 4) What reporting enhancements does the vendor expect to complete within the next six months?

Compliance Resources:

Not only should the leave management system improve the leave administrative process, but it should also ensure that an organization is not exposed to Department of Labor enforcement actions or other compliance liabilities. Although many vendors provide compliance indemnification, the specific details of the indemnification provisions vary among vendors and warrant careful review.

Key Questions:

- 1) Does the potential vendor have counsel dedicated to its FMLA and Absence Management practice or does it use general corporate counsel without specialized expertise?
- 2) If you rely upon the vendor's advice regarding specific leave or termination decisions, does the vendor provide complete legal indemnification and absorb the cost of the legal defense process?
- 3) In addition to indemnification from FMLA disputes, what level of legal indemnification does the vendor provide for disputes arising from state-specific leave laws?

Account Management:

Given the detail-specific nature of the Absence Management process, access to an experienced and dedicated account management team is critically important. By working with focused and efficient account management teams with industry-specific experience, an organization can increase the efficiency of the issue resolution process, better enabling HR to focus on strategic organizational priorities rather than tactical, small-scale process management issues.

Key Questions:

- 1) Will your assigned account management team be dedicated to the service of your organization's plan or will they have other clients' responsibilities?
- 2) What is the average tenure of the account management team at the current vendor? What is the specific tenure of the account management team with respect to FMLA in particular?
- 3) What is the vendor's account management training process? Does it involve peer-to-peer shadowing in addition to classroom education?

- 4) How are roles, responsibilities and information sharing structured between Account and Implementation Management resources?

Organizational Commitment:

Although numerous vendors have emerged in the Absence Management administration market space in recent years, many of these have done so solely in an attempt to maintain their traditional lines of ancillary business rather than with an eye towards becoming a leader in Absence Management. By aligning with a vendor who has made effective employee Absence Management a high priority, an organization will ensure that its chosen partner is willing to invest the resources needed to stay abreast of the evolving compliance and technology landscape and provide effective solutions on an ongoing basis.

Key Questions:

- 1) How long has the potential vendor been providing leave management services?
- 2) What percentage of the vendor's research and development budget is dedicated to modernizing its leave management technology and infrastructure?
- 3) To the extent that the potential vendor is an insurance carrier, what percentage of its insurance clients also utilizes its Absence Management services?
- 4) How does your prospective vendor expect its capabilities to change over the coming two to three years?

Summary:

Your organization's decision to outsource Absence Management to a third party vendor is certainly an important one. However, after making that initial decision, it is equally important that you structure

the due diligence process appropriately to determine which vendor can offer the best solution for your organization's needs.

In the ever-evolving field of Absence Management, it is important to partner with a broker or consultant, equipped with the knowledge and expertise to guide you through the vendor selection, implementation, and ongoing project management process. With the help of the broker or consultant, you can properly structure the due diligence process to ensure that you select the right vendor to achieve your desired leave management results, reinforce a culture of productivity, comply with federal and state legal requirements, and ensure that you handle employee Absence Management with due care and effectiveness.

Sources:

Society of Human Resource Management, "Most HR Professionals Report Problems with FMLA," March 19, 2007.

Unum, "Integrated FMLA and STD Programs: Operate your Business Efficiently with Professional FMLA Leave Management," January 2009.

Unum, "Workplace Health and Productivity: The Progression of FMLA to STD and LTD," March 2009.