



Short-Term Work Disability Leaves Among Older Workers

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Presented at the AcademyHealth Disability Research Interest Group meeting
San Diego, CA June 7, 2014

The findings here are from an analysis of short-term disability (STD) claims contained in IBI's *Health and Productivity Benchmarking Database*.

It takes a closer, more detailed look at a subset of findings from a November, 2013 IBI research report, "Lost work time and older workers Insights from IBI's benchmarking data". The report is available from IBI's website:

<http://ibiweb.org/research-resources/detail/lost-work-time-and-older-workers-insights-from-ibis-benchmarking>

More information on the benchmarking data is available at:

<http://ibiweb.org/tools/benchmarking>

About IBI

- 501(c)(6) non-profit business association
 - ≈1,000 organizational members
- Provide research on the relationships between workforce health, worker productivity and business performance
- Largest single repository of disability claims data from corporate insurance policies
 - Used to generate industry-level disability lost work time and costs benchmarks



Agenda

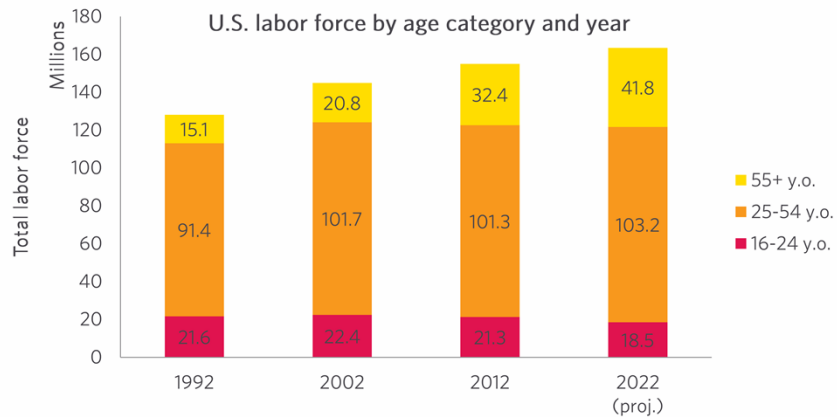
- Good news/bad news about the aging U.S. workforce
- Description of short-term disability (STD)
 - Who gets benefits and what are those benefits like?
- Data description
- Outcomes for older vs. prime age vs. younger workers
- Implications for economy, employers, workers



Preliminary Findings

- Older workers are more likely to have an STD claim
 - ≈6 STD claims per 100 covered lives
 - Overrepresented, but not a majority of claimants (≈ 25%)
- Generally, older workers' STD claims reflect chronic conditions common to an older population
 - Mode diagnosis is osteoarthritis (4.0/1,000)
 - Cancer (5.1/1,000) and back pain (4.9/1,000) also large groups of claims
- Older workers have longer duration absences
 - On average, 4 more lost workdays than prime-age workers, 8 more than younger workers
- Older workers are more likely to transition to long-term disability (LTD)
 - Which may be a precursor to labor force exit

Share of Older Workers Projected to Grow



Source: U.S. Bureau of Labor Statistics, December, 2013



Overall, the labor force is projected to grow by about 5% from 2012 to 2022. Almost all of the growth during this period will be among workers aged 55 and above.

The good news for employers and for the economy at large is that older workers remain highly productive. The paradox is that the normal aging process brings with it health problems that can take their own toll on productivity in the form of disability leaves.

To a much greater extent than is true for younger workers, preserving the productivity value of older workers depends on preserving, improving – and when necessary, restoring – their health.

One recent study estimates that extending the number of years of good health among the elderly by 2.2 years could benefit the U.S. economy by about \$140 billion per year – over \$7 trillion over 50 years (Goldman, D.P., Cutler D., Rowe J.W. et al., 2013 “Substantial Health and Economic Returns from Delayed Aging May Warrant a New Focus for Medical Research,” *Health Affairs*, 32(10):1698-1705.)

Along the way additional savings could accrue to employers in the form of reduced disability absence.

Short-Term Disability Benefits in the U.S.

Wage replacement benefits if temporarily unable to work due to non-occupational medical or mental health conditions

- Premiums typically paid by employer
- CA, HI, NJ, NY, and RI require STD coverage for workers
 - CA & RI do not require employers to provide the benefit
- Typical policy:
 - One week waiting period
 - 6 months maximum benefit
 - About 60% of wages, up to a maximum amount
- About 36% of U.S. workers have access to employer-provided benefits (BLS)
 - Higher in larger organizations
 - Higher in goods-producing than in service industries
- Less information on how often benefits are used



Data Description

- *IBI Health and Productivity Benchmarking Database*
- STD claims collected from 15 large insurance providers' books of business, 2007-2012
- ~8.3 million claims
- ~39,000 unique employers
- All major industrial sectors, U.S. states represented
... But not necessarily representative
- Unless otherwise indicated, the analysis excludes claims for pregnancy (~19% of all claims)
- Older workers are age 55+ at time of disability
 - Prime age = 35-54 y.o.
 - Younger = 18-34 y.o.



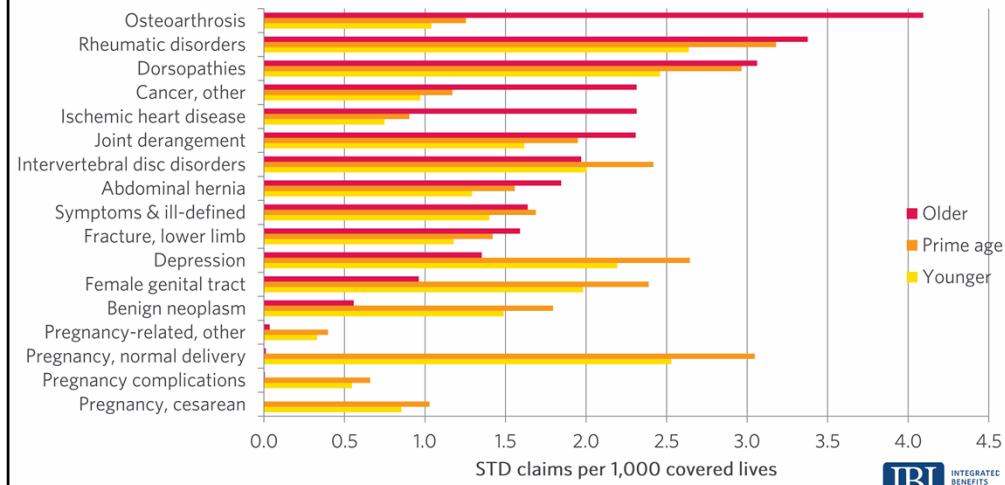
Older Workers are More Likely to Have an STD Claim

- Annually, employer policies incur ≈ 4.5 new claims per 100 covered lives (± 0.05)
- Older workers account for about 25% of new claims ≈ 5.8 new claims/100
 - Recall that they represent about 21% of the labor force in 2012
 - Older workers may be more likely to have disability benefits in the first place, and use them more often than other workers
- Prime age and younger workers: 5.4 & 2.5 claims per 100, respectively



These claims rates exclude pregnancy leaves.

Why Are Older Workers Absent for Disability?

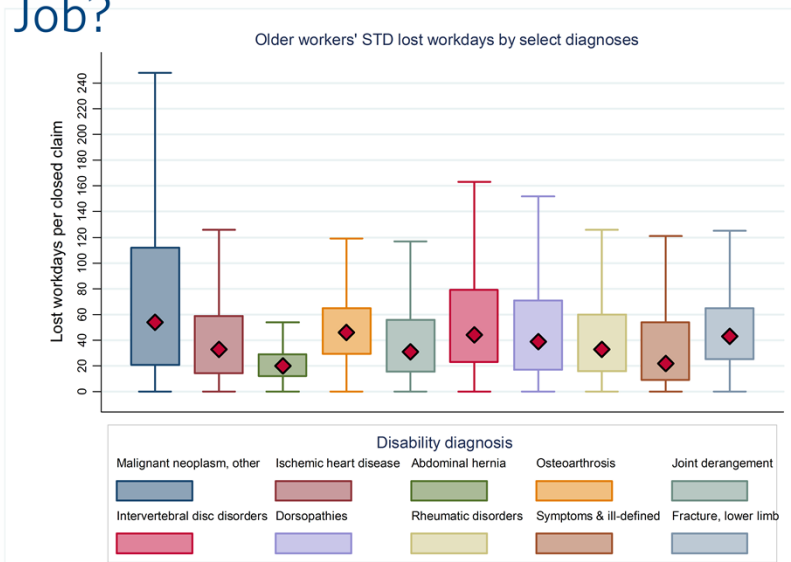


The diagnoses shown in this were selected because they reflect the top 10 disability conditions for each of the three age groups. When claims are grouped at a less granular level, cancer and musculoskeletal conditions – back pain in particular – are highly prevalent among older workers.

It is notable that some of the major health promotion and disease management initiatives do not necessarily focus directly on the conditions listed here. Instead, interventions such as weight loss, nutrition and physical activity are intended to improve preventable diseases such as cardiovascular and circulatory conditions over time.

We would not expect even very successful health promotion programs to deliver a lot in the way of reduced disability in the short term. The exception is perhaps return-to-work (RTW) programs, which consistently have been shown to shorten disability durations.

How Long are Older Workers Off the Job?

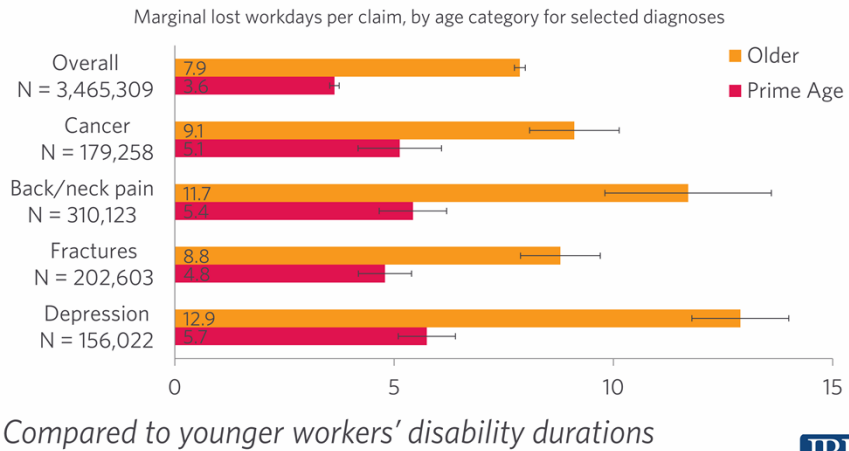


The duration of a disability claim varies by the diagnosis, but so does the variation. Overall, for older workers, the mean disability claim results in about 43 lost workdays (not including any waiting period), while the median claim results in 29 lost workdays.

At the lower bound of the interquartile range (IQR), the 25th percentile claim results in 13 lost workdays, while the 75th percentile claim is 57 lost workdays.

In practical terms, a disability claimant is “normally” away from work for 3 to 12 weeks. At an average of 60% of annual wages, an employee on disability leaves stands to lose from 2% to 9% of their annual wages.

Older Workers Have Longer Duration Absences

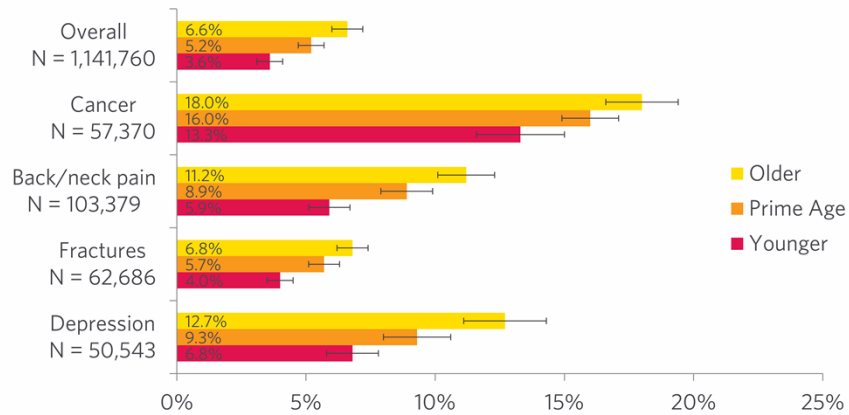


Even if older workers were not overrepresented among disability claimants, they are overrepresented among all of the lost work time to STD.

The results shown here are from OLS regression, adjusted for age, sex, industry, insurance plan design, and the month and year of the disability claim.

Older Workers More Likely to Transition to Long-Term Disability (LTD)

% of claimants transitioning to LTD, by age category for selected diagnoses



Since most employer LTD policies provide benefits until social security retirement age, LTD claims may be a precursor to labor force exit.

The results shown here are from logistic regression, adjusted for age, sex, industry, insurance plan design, and the month and year of the disability claim. The analysis is limited to employees with LTD benefits.

Implications

- As the workforce ages, growth in paid disability lost work time will outpace labor force growth*
 - LF growth: 5.5%
 - Disability days growth: 9.3 %
- From the insurer/employer perspective, higher volume of longer duration claims over time
- RTW programs that are responsive to the specific needs of older workers may reduce productivity losses and help preserve older workers wages and labor force participation
 - Disease management and return to work programs that take comorbidities into account and include intensive physician consultation may be most effective

* See the Appendix at the end of this document for details on projecting the growth in disability lost workdays.



Given the combination of an aging workforce, a higher than average rate of STD claims among older workers, and higher than average lost workdays among older claimants, we project that between 2012 and 2022, the growth in disability lost work time will outpace the overall labor force growth.

One study found that compared to usual care, intensive physician consultations to preserve the working ability of older workers at high risk of early retirement reported fewer lost workdays and longer work participation. De Boer A.G.E.M., Van Beek J. C., Durinck J., Verbeek J.H.A.M., & Van Dijk F.J.H., 2004, "An Occupational Health Intervention Programme for Workers at Risk for Early Retirement; a Randomised Controlled Trial," *Occupational and Environmental Medicine*, 61(11):924-929.

Questions?
Comments?
Suggestions?
Critiques?



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Appendix: Method for projecting growth in disability lost workdays

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June, 2014.

The Health and Productivity Benchmarking Data

Since 2007, IBI has been the repository of disability and absence claims data provided from major insurance companies' and third-party administrators' (TPAs) books of business. These data are known collectively as the *IBI Health and Productivity Benchmarking Database* (or simply as "the benchmarking data"). The disability and leave programs in benchmarking include:

- Short-term non-occupational disability (STD)
- Long-term non-occupational disability (LTD)
- Occupational injuries and illnesses (Workers' Compensation, or WC)
- Federal Family and Medical Leave Act (FMLA)

Each claim contains costs and lost work time (i.e., days of absence from work) information, as well as demographic and geographic (state) information about the claimant, claim diagnosis codes (ICD-9), the employer's industry and total number of covered lives, and insurance plan information (e.g., waiting periods and maximum benefit durations) where applicable.

The current analysis utilized STD claims only, and pooled data for 2007-2012. Data from 30,653 unique employers were available to estimate the non-pregnancy claims rate (i.e., the number of non-pregnancy claims that initiated within a calendar year per 100 covered lives). 4,815,645 closed disability claims were available to calculate the average lost workdays per claim

Disability lost work time growth projections

To calculate the growth in disability lost work time, we compare the ratio of older, younger, and prime age workers in our STD claims data to the age distribution of the labor force in 2012. We adjust our young and prime-age groups to the BLS definitions, where young is 16-24 years old and prime age is 25-54 years old. We then create age-specific claims rates based on an overall estimate of 4.5 non-pregnancy claims per 100 covered lives. The age-specific claims rates are multiplied by the labor force size and average lost days per claim to produce

total disability lost work time (we assume a 36% disability participation rate that is constant across age groups and over time).

Results

Table 1 shows the BLS labor force projections from 2012-2022. Over this period, the labor force is projected to grow by about 5%.

Table 1: U.S. labor force by age category and year, Thousands

Age group	2022		% change
	2012	(proj.)	
Young (16-24 y.o.)	21,285	18,462	-13%
Prime-Age (25-54 y.o.)	101,253	103,195	2%
Older (55+ y.o.)	32,437	41,793	29%
Total	154,975	163,450	5%

Source: U.S. Bureau of Labor Statistics, December, 2013¹

Table 2 shows the ratio of the age group proportions in the 2012 labor force and the STD data, claims rates and average days per claim. The ratios are used to apportion the overall average claims rate to the different age groups.

Table 2: Age distributions, claims rates and average lost workdays used to simulated growth in disability lost work time

Age group	2012 percentages		STD:LF ratio	Claims per 100	Avg. days per claim
	Labor force	STD claims			
Young	13.7%	3.3%	0.24	1.1	29.5
Prime-Age	65.3%	71.5%	1.09	4.9	35.6
Older	20.9%	25.3%	1.21	5.4	42.8
Total	100.0%	100.0%	1.00	4.5	36.3

Applying the values from Table 2 to the labor force projections in Table 1 allows us to project the growth in disability lost work time from 2012-2022. The projected results are shown in Table 3. The total claims volume is projected to grow by about 8.2%, while total lost workdays are projected to grow by about 9.3%

¹ <http://www.bls.gov/news.release/ecopro.t01.htm>

Table 3: Projected growth in STD claims and total disability lost workdays

Age group	Total claims (thousands)		Total lost workdays (thousands)	
	2012	2022	2012	2022
Young	83	72	2,437	2,113
Prime-Age	1,794	1,828	63,869	65,094
Older	634	817	27,143	34,972
Total	2,511	2,717	93,448	102,179
<i>Overall % change</i>		8.2%		9.3%

Limitations

The benchmarking data contain information from all major industrial sectors and from all U.S. states. The STD claims data in 2012 contained about 1.2 million new non-pregnancy claims, or about 48% of the claims projected for 2012 in Table 3. However, the benchmarking data are not representative of all employer-based STD claims. It is clear that the employers in the benchmarking data are larger than employers generally (and may have higher STD participation rates than the workforce in general). Half the employers in the benchmarking data had STD policies for at least 139 covered lives. By contrast, the BLS estimates that about 2.4% of private sector firms in the U.S. had 100 or more employees.²

By necessity, our model assumes that the STD claims rates and average lost work days in the benchmarking data are similar to the experiences of employer policies that are not included in the benchmarking data. We further assume that the STD participation rate, the STD claims rates and the average lost workdays for all age groups remain constant from 2012 to 2022.

² <http://www.bls.gov/bdm/bdmfirmfirmsize.htm>