

Controlling Human Capital Costs in the New Millennium

By David R. Dintenfass and Leslie L. Lawson

Low productivity and high turnover can be more costly to employers than insurance premiums and medical claims. This article discusses the need for coordinated management of all behavioral health benefits. It provides two case studies that illustrate how such coordination can avert possible long -term cost and loss of valued employee.

Low productivity and high turnover cost employers two to three times more than insurance premiums and medical claims.¹ A new paradigm for managing human capital costs can reduce these "indirect" expenses to benefit both employer and employee.

Between 1989 and 1995, employer cost for mental and substance abuse disabilities rose an astounding 335%, faster than any other medical expense.² Today, the total cost of mental health disability is estimated at \$150 billion annually.³

Many employers have controlled these widely escalating costs by introducing managed care programs specifically for behavioral health benefits. However, all too often, the primary focus of these programs has been claims expense reduction, without adequate consideration of the larger total human capital system costs of low productivity and morale, absenteeism, poor retention and related training and recruitment.

Behavioral health utilization has now approached a level where additional claims expense reductions may compromise treatment quality. Diminished behavioral health treatment quality can take the form of severely depressed patients being diverted from hospitals, and patients with addictions receiving less-than - acceptable care. The good news is that when companies shift their focus from claims expense reduction to coordinated management of all human capital costs, both employees and employers benefit.

The Real Cost of Decentralized "Silo" Management

In most companies, the human resources and benefits management departments administer health care, disability, EAP and wellness programs, while workers' compensation and work place violence programs are administered by the risk management department. Why is this decentralized management model so in -efficient for employers and ineffective for employees? Although the target audience is the same for all these programs, a decentralized approach fails to recognize that certain administrative efficiencies can be achieved by coordinating services to the employee. The "silo" management model also does not capitalize on the significant overlap between the workflow, processes and data collection elements of the programs. Ultimately,

decentralized management discourages broad perspective evaluation of the needs of the whole person, the employee who may enter the system with one or more psychiatric disabilities, substance abuse problems or work related dysfunction.

Another drawback of the "silo" method is that it supports the proliferation of multiple vendors that have few incentives to collaborate on developing a cost-effective, coordinated treatment plan for the employee, whose need for behavioral health services usually crosses the barriers separating the service providers.

The importance of early violence prevention is yet another compelling argument for managing the entire spectrum of employees' behavioral health needs in a coordinated manner. Each week an average of 18,000 workers is assaulted on the job⁴, and incidents are on the rise. In 1992, workplace violence cost employers more than \$4 billion in lost productivity and legal expenses.⁵ Yet most experts maintain that with the appropriate vigilance and programs in place, many incidents can be prevented, and who will and will not become violent in the workplace can be predicted with a high degree of accuracy. This requires, however, a highly cooperative effort between the benefit managers of an organization.

Decentralized management of benefit programs causes confusion among employees as to how to access services, potential delay in employees' request for services, and reduced quality and effectiveness of services. Most significant, under this model there is a tendency for managers to focus disproportionate attention on claims cost reduction, losing sight of the larger picture: the need to assess and control total human capital costs.

Making The Paradigm Shift To Total Human Capital Cost Management

Employers can control the rising cost of human capital by integrating the administration and delivery of behavioral health services that are now provided separately. The primary feature of the new integrated program model is collaboration among benefits vendors, providers, care managers and the employer's internal departments.

Results from one national managed behavioral health company shows significant savings for employers when mental health and substance abuse disabilities cases are managed in conjunction with health care benefits and employee assistance programs. Treatment expenses, workplace violence, absenteeism and turnover were reduced through prevention, identification of high-risk and potentially high risk employees, and coordinated treatment that helped employees resolve problems impeding their ability to return to work and maintain productivity.

While each employer will make this paradigm shift in a slightly different manner, depending on corporate resources and goals, the following guidelines may serve as a starting point for any organization seeking to control total human capital costs.

How To Implement The New Cost-Management Model

- Analyze total system costs not just the costs of premiums and claims. Through managed care, chances are you have already cut medical and behavioral health disability claims cost significantly. It's time to take advantage of the ample opportunities for reducing indirect expenses - which far

exceed claims cost - by tracking turnover and absenteeism, and quantifying productivity.

- Create a corporate mandate for assessing and assisting the "whole" employee. This will involve a coordination-of-benefits provision. Anticipate that internal departments and multiple vendors may be reluctant to cooperate on behalf of the employee unless the company drives the initiative.
- Identify return -to -work and productivity as shared, publicly embraced goals. Make sure that all internal departments and vendors hear this message, and that you are vocal and sincere in your desire to provide coordinated services to employees that enable them to reach these goals.
- Coordinate administration of the key elements of your system. These include health plan benefits, disability programs, workers' compensation, EAP and initiatives to address work place violence wellness and work/life issues. Consider integrating these services incrementally; for example start with medical benefits, short-term disability, long-term disability and EAP services. Your ultimate goal is full program coordination in order to provide the highest level of employee services.
- Use "trigger events" in your model to drive a preestablished series of responses and solutions to behavioral health problems and situations. Keep in mind the ultimate goal: to enable the employee to get well and work again.
- Establish clear and ongoing communication between all service providers regarding the shared expectations and goals of the coordinated management model. Effective communication practices will reduce the stigma associated with receiving behavioral health treatment and promote the belief that good mental health is a critical component of a total wellness program.
- Train vendors, management, supervisors, and employees on the purpose and function of each element of your benefit system. This fosters good interdepartmental communication and helps employees receive referrals to appropriate behavioral health services, no matter where they access the system.
- Create or expand programs that identify high-risk behavioral health and medical situations and populations. Focus services appropriately on these individuals, groups and environments.
- Eliminate barriers to services and treatment. Help your employees understand your benefit services and make it easy for them to access the system at any point. Getting the appropriate treatment without delay can prevent small problems from becoming insurmountable obstacles.

While each company will take a different approach to coordination of behavioral health benefits, successful implementation of the new model will always focus on coordinating workflow and processes for profiling, triggering treatment across benefit plans and returning the employee to work in a healthy state. Ideally, the needs of the whole employee will be addressed in a manner that is not only cost effective for the employer, but also beneficial for the employee in that his or her needs are viewed in their totality.

Achieving these goals will require a paradigm shift in the way benefit plans are managed. Because of the multiple and broad scope of internal changes required, most companies find it beneficial to enlist the services of an objective outside professional with a track record of progressive benefits administration. Once your organization is committed to change, you'll find that taking a comprehensive approach to behavioral health issues results in human capital cost management at its best ... a dramatic shift in focus from claims expense reduction, with a far more effective result.

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Endnotes

1. "Avoiding the Seven-Day Barrier," *Risk Management*, May 1996.
2. UNUM Disability Database, www.unum.com.
3. National Institute of Mental Health, 1996.
4. "Violence in the Workplace," CDC.com.
5. Northwestern Mutual Life Insurance Company.

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