FMLA: WHAT ARE THE REAL OPPORTUNITIES FOR IMPROVEMENT?

INDUSTRY DIFFERENCES IN IBI'S 2014 FMLA BENCHMARKING CLAIMS

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EXECUTIVE SUMMARY

Background

Employers face challenges in managing lost work time under the Family Medical Leave Act (FMLA) – particularly leave days that are taken intermittently and without prior notice. An employee's request for FMLA leave also is an early indicator of an elevated risk for a later short-term disability claim. Adding to the complexity, employers that are unaware of typical FMLA leave experiences for their industry may not know if they have a particular issue in their workforce – and if so, how much improvement in outcomes is reasonable. Benchmarks that differentiate the "best" employer experiences from the "worst" within an industry can help employers understand what types of outcomes are feasible. It can also help third-party administrators better understand how well absences in a particular market segments are being managed.

Results

Analyzing FMLA claims data from IBI's 2014 health and productivity benchmarking system, we find that:

- The typical (median) employer experienced about 16 intermittent FMLA leave days per 100 eligible employees, and about 234 continuous days per 100 eligible employees.

- FMLA leave days differ across industries. This could be due to the nature of the work, the kinds of workplace time-off and scheduling policies in place, and the overall health patterns of the workers.

  o The typical employer in the finance industry had 31 intermittent leave days per 100 eligible employees, compared to only 8 intermittent leave days per 100 eligible employees for the typical professional services employer.

  o The typical employer in the healthcare industry had 292 concurrent leave days per 100 eligible employees, compared to 146 concurrent leave days per 100 eligible employees for the typical information industry employer.

- The range of leave days that separates the best employer outcomes from the worst also differs across industries. If the best outcomes (or even the typical outcomes) indicate leave days that are not only possible, but also feasible, then industries with wider ranges imply greater room for improvement.

  o In the healthcare industry, 64 intermittent leave days per 100 eligible employees separate the employers with the best outcomes from the employers with the worst outcomes. The comparative range in the professional services industry is only 17 days per 100 eligible employees.

  o In the healthcare industry, 458 continuous leave days per 100 eligible employees separate the employers with the best outcomes from the employers with the worst outcomes. The comparative range in the finance and retail industries is only 194 days per 100 eligible employees.

Implications for Employers

Employers stand a better chance of managing FMLA lost work time if they begin with an understanding of leave outcomes among their industry peers. This means not only taking into account the typical leave experiences, but also the range of leave days that separates the best employer outcomes from the worst.

Within a given industry, employers that find their FMLA experiences on the high end of the distribution can develop strategies for improving outcomes based on reasonable targets at the low end of the distribution. This will also help employers better understand the dollar value of the productivity they stand to gain from reducing FMLA lost work time.

About IBI

Founded in 1995, the Integrated Benefits Institute (IBI) is a national, non-profit research and educational organization committed to helping business leaders and policymakers understand the business value of workforce health and to recognize the competitive advantages of helping employees get and stay healthy. IBI is supported by over 1,100 member companies representing over 20 million workers.

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Background

In IBI's most recent survey of member organizations,[1] 43% of employers indicated that compliance with Family Medical Leave Act (FMLA) and Americans with Disabilities Act (ADA) regulations was very important to their efforts to manage workforce health and productivity. In terms of importance, FMLA/ADA compliance came out ahead of 15 other items and was considered equally as important as employee health engagement and a culture of health.

Previous IBI studies reported employers' challenges in managing FMLA leaves – particularly leaves taken intermittently and without prior notice.[2] An employee's request for FMLA leave also is an early indicator of an elevated risk for a later short-term disability claim. Employers are further challenged if they are not aware of typical FMLA leave experiences for their industry. This leaves them unable to assess whether they have a particular issue in their workforce, and if so, how much improvement in outcomes is reasonable.

Benchmarks that show different industries' average FMLA rates can provide employers some insights. They can also help third party absence management administrators understand which industries have particularly high FMLA rates – perhaps as a consequence of the types of who gets hired for these jobs and the types of work they perform.

A more complete approach would compare not just average rates across industries, but the variation among employers within industries. Identifying the range of outcomes that differentiate the "best" employer experiences from the "worst" within an industry can help employers understand the types of outcomes that are feasible. It can also help third-party administrators better understand how well absences in particular market segments are being managed. A wider range of outcomes within and industry would indicate greater room for improvement (i.e., greater market opportunities).

Analysis

To help employers and their supplier partners understand how FMLA experiences differ within and across industries, we analyze claims data from IBI's 2014 health and productivity benchmarking system.[3] The IBI benchmarking system collects employers' STD, LTD, Worker's Compensation and FMLA claims each year from the books of business of 14 major carriers and third-party administrators. The current database contains more than two 3.8 million claims representing more than 50,000 employer policies.

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[1] "What's Keeping IBI Members Up at Night In 2015? Results from IBI's New Survey of 660 Members." August, 2015. San Francisco: Integrated Benefits Institute. < https://ibiweb.org/research-resources/detail/whats-keeping-ibi-members-up-at-night-in-2015-results-from-ibis-new-survey>

[2] Gifford, Brian. "The Challenge of FMLA Leave in Call Centers … and What Experts Say Employers Can Do About It." October, 2014. San Francisco: Integrated Benefits Institute. < https://ibiweb.org/research-resources/detail/the-challenge-of-fmla-leave-in-call-centers-and-what-experts-say-employers>; Gifford, Brian, Thomas Parry and Kim Jinnett. Februrary, 2013. "Early Warnings: Using FMLA to Understand and Manage Disability Absence." San Francisco: Integrated Benefits Institute. < https://ibiweb.org/research-resources/detail/early-warnings-using-fmla-to-understand-and-manage-disability-absence>

[3] < https://ibiweb.org/tools/benchmarking>

This analysis includes information from 730 employers that experienced about 13.2 million intermittent and continuous FMLA leave days in 2014. We report on industries with at least 30 employers in our dataset, excluding employers with fewer than 250 employees eligible for FMLA leave.[4]

Results

INTERMITTENT LEAVE DAYS

Figure 1 shows the differences in employers' intermittent leave experiences by industry.[5] Overall, the median employer in this analysis experienced about 16 intermittent FMLA leave days for every 100 eligible employees (or 16:100).

Figure 1: Variation in employers' intermittent FMLA days by industry

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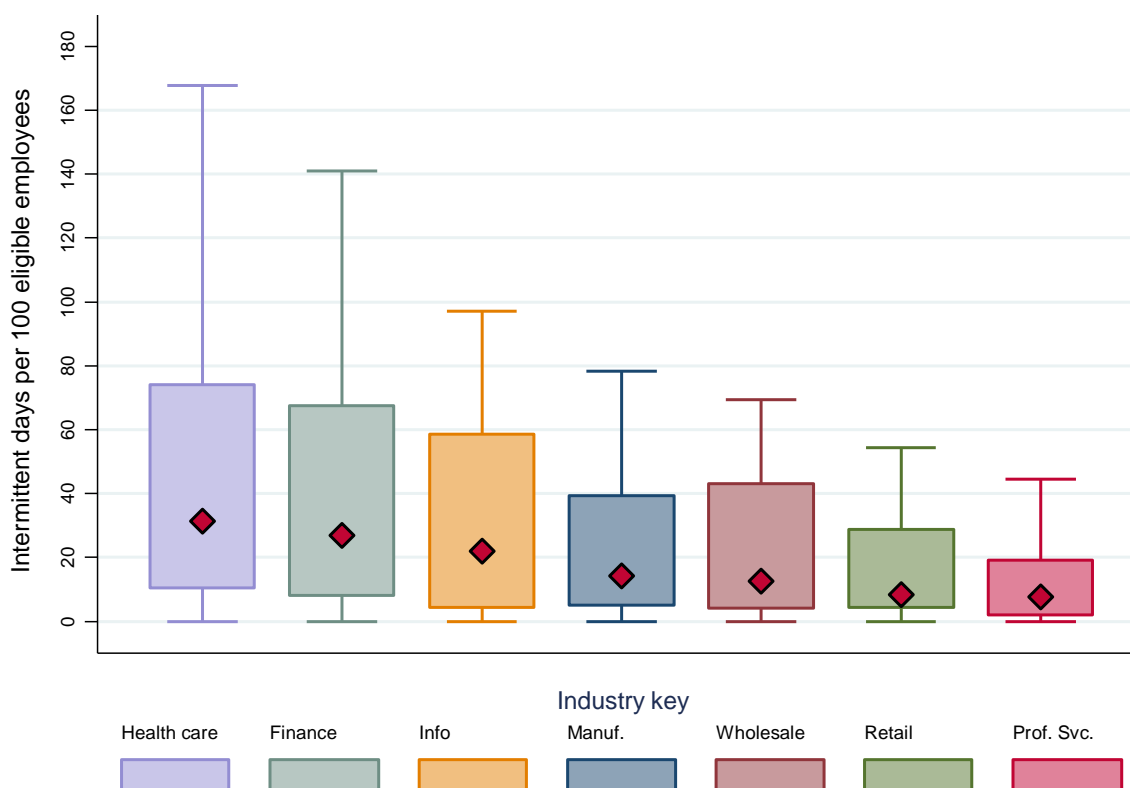
[4] The benchmarking data contain FMLA claims from 1,700 employers. Only employers with complete information on eligible employees, intermittent and continuous lost workdays and industry are included in this analysis.

[5] The tables in the Appendix report the values represented in the figures. Throughout this report we represent the typical employer's outcomes by the median rather than the mean (average) because the latter can be influenced by a small number of employers with atypically large leave rates. Both means and medians are reported in the Appendix.

READING BOX AND WHISKER GRAPHS

Figure 1 is what is known as a "box-plot" or a "box and whiskers" graph. In this instance, it shows how employers within an industry differ from one another in their intermittent FMLA leave day experiences.

The height of the box from the lower to the upper boundary shows roughly the range of "normal" experiences within an industry. The lower boundary of the box is defined by the leave days that separate the best performing 25% of employers in that industry from the rest (the 25th percentile). The upper boundary is defined by the leave days that separate the worst performing 25% of employers from the rest (the 75th percentile). An industry with a shorter box means that leave days do not differ greatly from one employer to the next, compared to an industry with a taller box.

The diamond at the center of the box indicates the median leave days; half of employers are below this value, and half are above. The median represents the "typical" employer's leave experiences better than the average (or mean) because the latter can be skewed by a small number of employers with atypically large leave days.

The bracket ("whisker") at the top of each box indicates the outside limit of what would be considered large – but still realistic – leave days; employers with leave days beyond this point would be considered extreme outliers. The bottom whisker indicates zero leave days per 100 covered lives, the absolute minimum limit (although in principle, the observed lower limit could be above zero).

⬅Outliers beyond this whisker

⬅75th percentile

⬅Median

⬅25th percentile

⬅Outliers beyond this whisker
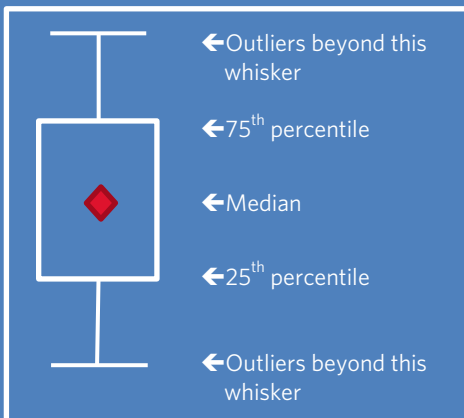
Two patterns emerge from Figure 1. First, across industries, the leave experience of the typical (median) employer differs greatly. Comparing median leave rates, the industry with the worst outcomes (health care, with about 31 intermittent leave days per 100 eligible employees) has over 274% more intermittent leave days than the industry with the best outcomes (professionals services, with about 8 leaves per 100 eligible employees). Thus about 24 leave days separate the best performing industry from the worst performing.

Second, the differences within some industries are greater than within others. For example, within the healthcare industry, 64 intermittent leave days per 100 eligible employees separate the best 25% of employers from the worst 25% (leave rates of 10:100 and 74:100, respectively). By comparison, only 17 intermittent leaves per 100 eligible employees separate the best from the worst employers in the professional services industry. If the best outcomes (or even the typical outcomes) indicate leave days that are not only possible, but also feasible for employers to achieve, then industries with wider ranges imply greater room for improvement.

Note as well that what might be considered within the normal range of outcomes for a middle of the pack industry such as information – where the 59 days indicate the worst 25% of employer outcomes – would be considered an extreme outlier in the retail or professional services industries.
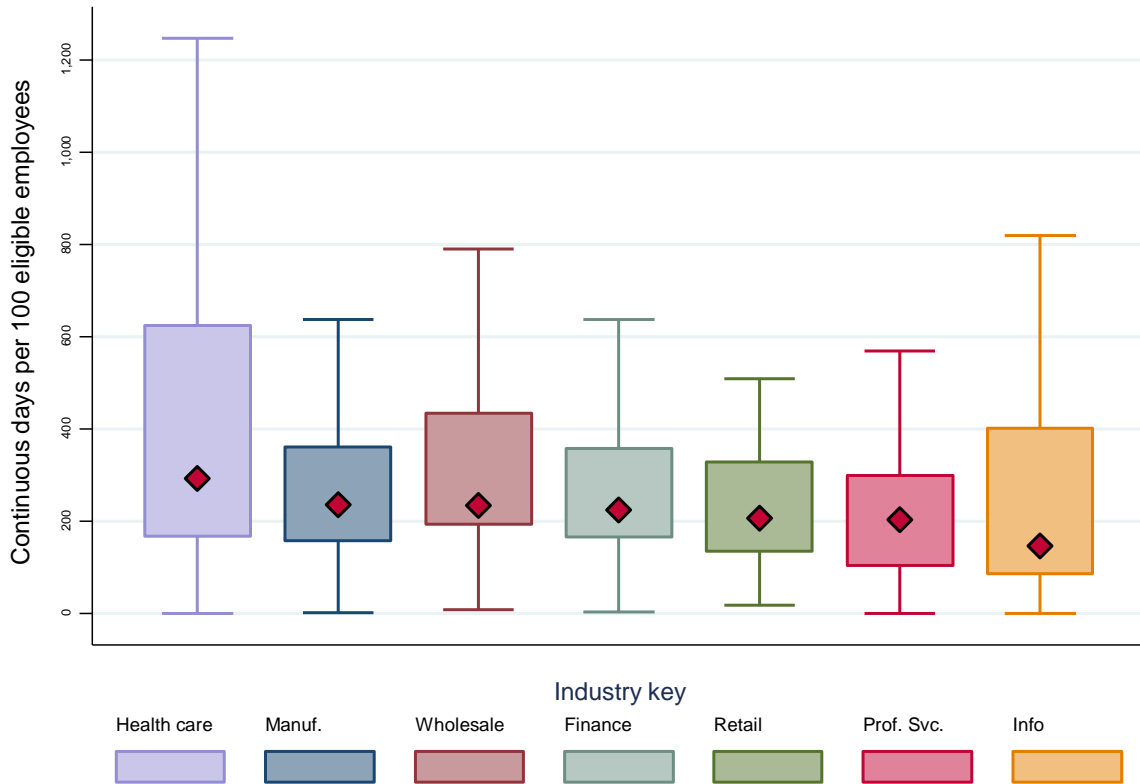
CONTINUOUS LEAVE DAYS

Figure 2 shows the differences in employers' continuous leave experiences by industry. Overall, the median employer experienced 234 continuous FMLA leave days for every 100 eligible employees.

The variation in continuous FMLA leave days is lower across and within industries than the variation in intermittent FMLA leaves. The median for employers in the healthcare industry (about 292:100) is 136% greater than the median for employers in the information industry (about 146:100).

As with intermittent leave days, the range of continuous leave experiences is greatest among employers in the healthcare industry. About 458 continuous leave days per 100 employees separate the bottom and top 25% of healthcare employers, compared to about 194 days among finance and retail employers.

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Implications for Employers

Employers stand a better chance of managing lost work time due to FMLA if they begin with an understanding of leave outcomes among their industry peers. This means taking into account the typical leave experiences, but also the range of leave days that separates the best employer outcomes from the worst.

As expected, our analysis shows that FMLA leave experiences differ from industry to industry. These differences could be due to factors such as the nature of the work, the kinds of workplace time-off and scheduling policies in place, and the overall health patterns of the workers.

The range of leave days that separates the best employer outcomes from the worst also differs across industries. Within a given industry, employers that find their FMLA experiences on the high end of the distribution can develop strategies for improving outcomes based on reasonable targets at the low end of the distribution. This will also help employers better understand the dollar value of the productivity they stand to gain from reducing FMLA lost work time.

Appendix

Industry	# of employers	Avg. days	Median days	25th percentile	75th percentile	Days separating the best 25% of employers from the worst 25% of employers
Manufacturing	244	35.4	14.1	5.0	39.3	34.3
Wholesale trade	44	32.9	12.6	3.9	43.2	39.3
Retail	32	30.5	8.5	4.2	28.9	24.7
Information	35	50.5	21.9	4.3	58.7	54.4
Finance	108	54.8	26.8	8.0	67.5	59.6
Professional services	107	18.2	7.7	2.1	19.1	17.1
Healthcare	160	53.6	31.3	10.3	74.1	63.8
All employers	730	40.1	16.4	4.9	46.1	41.1

Table 2: Continuous FMLA Leave days per 100 eligible employees

Industry	# of employers	Avg. days	Median days	25th percentile	75th percentile	Days separating the best 25% of employers from the worst 25% of employers
Manufacturing	244	315.7	235.9	157.2	360.3	203.1
Wholesale trade	44	341.2	234.5	191.9	434.1	242.3
Retail	32	273.8	205.6	133.6	327.6	194.0
Information	35	251.4	145.6	83.2	400.8	317.5
Finance	108	291.4	224.4	163.5	357.4	194.0
Professional services	107	235.7	202.1	102.5	298.5	196.1
Healthcare	160	469.4	292.5	166.2	623.9	457.7
All employers	730	330.7	233.9	143.7	379.3	235.6