

Connecting the Dots Between
FMLA and Voluntary Benefits
Helps Employees and Employers

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Employees often take medical leave when they are unable to work because of a serious health condition. Although FMLA limits the job protection period to 12 weeks, it is common for employees to need more than the 12 weeks to be able to recover sufficiently to return to work full time. Because FMLA is unpaid leave, the employee can be left with both a loss of income and, at the same time, medical deductibles, and/or uncovered medical bills or prescription costs that need to be paid.

Employees' stress can cost companies with 10,000 employees up to \$3.3M a year in lost productivity.

The Family and Medical Leave Act (FMLA) provides certain employees with up to 12 weeks of unpaid, job-protected leave per year. FMLA applies to all public agencies, all public and private elementary and secondary schools, and companies with 50 or more employees. Over 20 million people take FMLA leave each year.¹

Employer-provided benefits play a key role in how employees protect themselves from known or readily anticipated expenses. But what about the unknown or the unexpected?

Being able to protect themselves against unanticipated loss of income due to some form of disability is critical for employees seeking to achieve or maintain financial wellness. However, study after study shows that even before the pandemic, financial wellness eluded a large number of Americans.

- In the U.S., 20% of middle-class workers spend more than they earn²
- 60% of U.S. adults have no emergency savings, while another 23% say they only have enough savings to carry them through 3 weeks³
- 40% of the population faces difficulties in meeting daily expenses and saving for their long-term goals⁴

Imagine the short- and long-term economic impact to individuals or families if one or more earners is unable to work due to disability – the stage is set for high levels of stress. That stress can ultimately lead to other health risks or, worse, absence from work. Having a way to support financial wellness goals can reduce overall stress and provide peace of mind for employees in the event of an accident or illness.

Employee Stress Affects Employers

Why does this stress matter to employers? Employers are concerned about their employees' well-being and the impact stress can have on individuals. Employers must also deal with reductions in productivity due to employees' stress about their financial situation. According to the PwC 2020 Employee Wellness Survey, 58% of employees find that their personal financial situation causes them stress.⁵ Within that group:

- 30% admit that their productivity at work has been impacted by financial stress
- 12% say their financial worries have caused them to miss work
- 46% spend at least 3 work hours each week dealing with or thinking about personal financial issues

This can add up to \$3.3M in lost productivity for companies with 10,000 employees.⁶

According to Council for Disability Awareness, at least 51 million working adults in the United States are without disability insurance other than the basic coverage available through social security.⁷ Chances of missing work due to illness or injury is greater than most people realize.

A few disability statistics to think about:

- ▶ Approximately 30% of Americans between the ages of 35-65 will suffer a disability lasting at least 90 days
- ▶ 9 out of 10 individuals underestimate the chances that they will become disabled
- ▶ Most Americans are better prepared financially to die than to become disabled, although the chances are at least three to five times greater of a disability occurring
- ▶ Cancer, heart attack, and diabetes are common causes for long term disability
- ▶ Mental health issues, including depression and anxiety, make up 7.7% of all disability claims
- ▶ Fractures, sprains, and strains make up 7.5% of all disability claims⁸

Protections Available...and Gaps That Remain

While several insurance or benefits solutions are available to protect against some loss of income due to illness or injury, they may leave significant gaps. Workers Compensation only covers time away from work if the injury or illness was in the course and scope of work the employee performed. Looking back to 2016, only 1% of Americans missed work due to an occupational injury or illness. In comparison, 5.6% of American employees will experience a short-term disability.⁸

Some employers offer disability benefits, including short-term disability (STD) and long-term disability (LTD), that provide some level of paid benefits for some illnesses and/or injuries that fall under non-occupational. However, this coverage is usually limited to six months, and the coverage benefit may be limited to a certain percentage of the employee's salary, depending on tenure and other factors included in the employers' specific plans. In addition, part-time employees, such as those in retail or restaurant food services industries, are often not benefit eligible for any type of paid time off outside of state leaves.

Voluntary Benefits Can Fill Those Critical Gaps

Some employers are starting to take a more proactive role in helping employees attain or maintain financial wellness by including voluntary benefits as a part of their employee financial toolkit. These broader programs go beyond health benefits and 401ks. Employees are encouraged to take advantage of voluntary benefits that supplement their chosen group help benefits, thus creating a benefits package that closes some of the income protection gaps they may face. These supplemental benefits can help offset high deductibles, provide income to close a gap during periods of disability, and pay for unexpected costs like a hospitalization.

A well-rounded benefits program can include:

- **Hospital Indemnity Insurance**
Fixed indemnity benefit plans for individuals who are confined in a hospital. Benefits are designed to help meet out-of-pocket expenses of employer-sponsored high deductible major medical plans.
- **Critical Illness**
Pays a benefit amount upon diagnosis of a covered disease or upon determination that a medical procedure is necessary. In addition, the Mortgage and Rent Helper benefit protects employees from having to choose between their health and their home.
- **Voluntary Accident Insurance**
Protection 24/7 with attractive additional benefits to help fill the gaps in traditional insurance. Benefits are paid in addition to other insurance.
- **Disability Income**
Income replacement benefit that may also include extra everyday expenses such as retirement contributions and COBRA. Coverage may also extend to employees who are on FMLA caring for a family member.

Given both the prevalence of disability claims and the limits to the financial benefits available through FMLA, STD, and LTD, it's clear that a solution that can support employees' financial health and lighten the burden imposed by unexpected and uncovered medical costs is needed. Voluntary benefits – which can easily be added to a company's benefit offering and which are employee paid – can be that solution. Employees have easy access to a simple, affordable means of supporting their financial health as they deal with personal health issues. Employers, by helping employees address financial concerns, can reduce the impact of financial stress on productivity and their bottom line.



Footnotes

1. Department of Labor
2. Forbes: Donna Fuscaldo, Most Americans Struggling Financially Despite the Strong Economy Nov 15, 2019 and Financial Health Network, US Financial Health Pulse 2019 Trends Report
3. The Motley Fool (www.fool.com/retirement/2020/03/27/nearly-50-of-americans-dont-have-enough-emergency.aspx)
4. CBS News Moneywatch. "Almost of Half of Americans Can't Pay for Basic Needs." Airdate: August 28, 2018
5. PwC 2020 2019 Financial Employee Wellness Survey
6. PwC Special Report: Financial Stress and the Bottom Line
7. <https://disabilitycanhappen.org/disability-statistic/>
8. www.affordableinsuranceprotection.com/disability_facts

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