

The ViewsLetter

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Rating Employee Communications Tools

In a recent survey by the Institute of Management & Administration, Inc. (IOMA), responding employers overwhelmingly indicated that employee enrollment meetings and brochures are the most successful means of communicating employee benefit plan information. The survey results were consistent between small to mid-size (500 employees or less) employers and employers with more than 500 employees.

The exhibit at right shows the percentage of survey respondents ranking each form of benefit plan communication for effectiveness. The responses are categorized by employer size.

The IOMA survey also separately considered responses for the manufacturing, wholesale/retail, financial and other services, health care and non-profit indus-

try segments. Across the spectrum, respondents were consistent in ranking employee enrollment meetings as the most effective communication tool. Enrollment brochures and benefit booklets were seen as the next best method of providing plan information to employees.

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Communication Tool	Responding Employee Base	500 or less Employees	500 or more Employees
Enrollment meetings, seminars	43.9%	45.7%	43.2%
Enrollment brochures, booklets	20.8%	21.0%	23.5%
Total compensation statements	9.2%	8.6%	4.9%
Payroll staffers	8.1%	8.6%	7.4%
Newsletters	7.5%	4.9%	11.1%
Benefits/health fairs	4.0%	7.4%	1.2%
Other	6.4%	3.7%	8.6%
Responding Employer Base	173	81	81

About the Viewsletter

We welcome you to the second issue of the McGraw Wentworth ViewsLetter. Many of our readers are receiving the ViewsLetter for the first time. It is our mission to be the leader in the employee group benefits brokerage and consulting industry.

We have established the ViewsLetter as an integral part of our commitment to keep you informed of benefit trends, legislative developments, and marketplace

developments that may affect your group benefit programs.

Of course, we also welcome your comments and suggestions regarding the ViewsLetter. You can pass your comments directly to your McGraw Wentworth Account Director or Account Manager, or you can reach us through our interactive web site at www.mcgrawwentworth.com. We look forward to hearing from you!

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Reach us on the world wide web at the McGraw Wentworth interactive web site. Check it out at www.mcgrawwentworth.com. Additional copies of the ViewsLetter are available in PDF format in the MW Xchange.

Managing Short Term Disability/Salary Continuation Plans

Many companies self-fund and self-manage their short term disability/salary continuation plan. Depending upon the company's ability to withstand fluctuations in cash flow, insurance can level the cost of this benefit program. Also, an insured program relieves the employer of fiduciary responsibility in the event of litigation. Still, for many companies, self-funding is the preferred option, but there is often a significant need for assistance in claims adjudication.

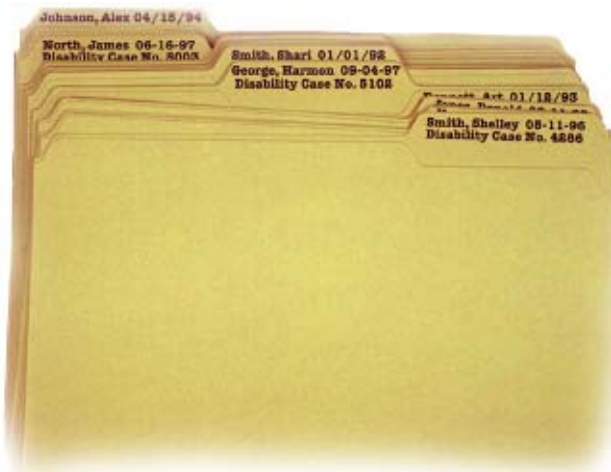
Consider, for example, a 1,000 employee company with salary continuation. The average short term disability plan will have 70 claims per 1,000 employees per year. If the average salary in the group is \$35,000, and employees receive 100% of pay for an average claim duration of six weeks, the estimated direct cost of disability is as follows:

70 claims per year x \$673 per week x six weeks claim duration = \$282,660 annual cost

This is a substantial expense, yet many employers will not have formal risk management of this program. Employees may simply report their illness or injury to their immediate supervisor and submit an attending physician statement in order to re-

ceive salary continuation. Sometimes the company does not even require an attending physician state-

dures are in place to reduce claims cost in the neighborhood of 20 percent over a self-managed,



ment. Independent medical examinations may or may not be utilized by the self-funded, self-managed employer. Human Resource departments may or may not know the actual expenditures of the program since there is often inconsistent reporting at the department level to payroll. Human Resources may also lack a disability database for guidance on appropriate claim durations, or the time and resources to follow-up and manage the claim activity properly.

This is where a professional claim adjudicator comes in. Whether it is an insurance company or a third party administrator, the structure and proce-

dures are in place to reduce claims cost in the neighborhood of 20 percent over a self-managed, self-insured program (this, of course, depends on the level of risk management in the current arrangement). One should also consider the indirect cost of disability claims such as lost productivity, overtime cost for other employees filling slots, etc.

Short term disability/wage continuation claims may be filed electronically or by

fax with many claims adjudicators. The claims adjudicator is then expected to update claim approvals and denials on a weekly basis. Sponsoring corporations can still cut checks and maintain a self-funded identity to the program.

The services available from claim administrators, whether insurance companies or third party administrators, include:

- Claim evaluation and management.
- Telephonic claim notification.
- Underwriting estimation and plan consultation.
- Management reports.

If your program is self-funded and self-managed, a review of these options may be in order.

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NOTABLE QUOTE

“A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty.”

Sir Winston Churchill (1874-1965)