



# HOW TO TACKLE EMPLOYEE BENEFITS CAPTIVE DISABILITY RISK HEAD ON

Daniela Masters and Frederik Van den Eede at Generali Employee Benefits (GEB) Network reveal the latest thinking in identifying disability risk

**G**enerali Employee Benefits (GEB) Network's ability to adapt to changing circumstances in a very agile way, along with our big investment in knowledge sharing over recent years, were highlighted by the judges as some of the top 'reasons why' we were chosen for our recent wins at the European Captive Forum Awards 2022. We were incredibly proud and honoured to be awarded Fronting Partner and Captive Service Professional of the Year.

In this article, we take a look at these 'reasons why' in the context of how we are helping captive clients address one of the most challenging lines of business they currently face, namely disability.

Musculoskeletal (MSK) disorders are the leading contributor to disability worldwide, with lower back pain representing the top cause of disability in 160 countries, impacting people of working age in high-income countries the most, according to the latest World Health Organisation (WHO) data.

This is reflected in the experience of multinational organisations and their network partners, with MSK disorders

**Frederik Van den Eede**



**Frederik Van den Eede** has been working for GEB for over eight years. Starting in the Brussels sales department, within a year he was area manager with responsibility over the Benelux area and soon after the French market. He was recently promoted to chief customer officer, responsible for steering sales and business development, global intermediaries management and customer relationship management across all regions.

**Daniela Masters**



**Daniela Masters** is head of global health and wellbeing programmes. With 15 years of practical experience, she has gained considerable knowledge about successful corporate health and wellbeing strategies and programmes from multiple perspectives such as employer, wellness and EAP provider and private insurer. Masters strongly believes organisations share responsibility for employees' physical and mental wellbeing. Her motto is: "Healthy and safe companies are growing companies."

now representing the top condition by incidence of medical claims for insurers globally. And GEB's long-term disability (LTD) insurance data shows that MSK appears among the top three reasons for claims in various European countries, alongside mental illness in many cases. LTD insurance will pay out a certain percentage of the claimant's salary, after a deferred period, until the individual is fit and well enough to return to work.

"It [LTD] represents the biggest liability in employee benefit portfolios because it is the only long-tail risk and the most capital intense. Claims that last 120 months or reserves set aside to cover multiple years of an employee's salary are not uncommon," adds Frederik Van den Eede, chief marketing, customer and CSR at GEB Network.

"So, there's a concerted focus on it right now by many of our captive clients, all of whom have different approaches due to issues such as uncertainties about strategy, diversity of local approaches and plan design, whether to write it or not. And, of course, data challenges, such as the need for underwriting year data, individual data, ages, causes, etc. There's a strong sense now from captive clients that they



want to control this complex risk better," he explains.

MSK health impacts organisations in numerous ways, both directly and indirectly. For example, absence, presenteeism, medical costs in certain jurisdictions (including pharmacy costs), early exit from the labour force and impact of comorbidities – mental health in particular.

Early intervention, if not prevention, should therefore represent a key focus for captives. However, identifying disability risk is not straightforward. One in three employees with long-term conditions have not discussed it with their employer. Recent research shows that over a quarter (26.3%) of pain sufferers report they have not had treatment because they simply don't have the time.

### Medical/disability claims overlap

In 2020, GEB saw medical claims for MSK rise as a percentage of all claims paid globally, from an average of 6.7% in 2019 to 9.3% in 2020. In 2021, this share increased to 9.8%, even with incidence/claimant numbers not returning to pre-pandemic levels.

Our data highlights that claims are primarily associated with general back pain, as well as disc and soft tissue disorders, validating a widely cited explanation of poor ergonomics and less daily movement since the onset of widespread home working. In addition, GEB has seen the resumption of certain treatments, such as physiotherapy and elective surgeries such as spinal fusions, which were delayed by the pandemic.

Daniela Masters, Generali Employee Benefits' head of wellbeing programmes, explains: "We found that in 2020, during the Covid-19 pandemic, there was a decrease in smaller claims because access to care for physiotherapy and consultations in general was more difficult. This was mainly due to capacity issues in healthcare systems and patient fear. The share of total paid increases for bigger items like surgery.

"Small claims fell away, but that doesn't mean MSK issues had gone away. Indeed, anecdotal evidence suggested that such problems may have been compounded or even increased due to poor ergonomics and less daily movement since the onset of widespread home working.

"The reason the share of total paid grew was due to major invasive medical care taking place – potentially emergency

surgery because elective surgeries were often postponed – at least for some of the months of 2020. Then in 2021, the share went up again; a mix of increased utilisation after lockdowns lifted and a continued decrease of small claims. As the year progressed, elective surgeries started to take place again and utilisation increased again, in a general sense.

"Looking at this data by European country, it's clear MSK makes up a big piece of the total amount paid by our medical insurers – the UK represents one of the highest at 11.9%, closely followed by Greece at 11.5% and Italy at 10.6%," she notes.

### MSK/mental health comorbidities

Almost mirroring this experience, MSK and mental health issues, as mentioned earlier, represent the top drivers for LTD claims, not only in Europe but also globally, and their inter-relationship makes the risk of LTD claims significantly larger. People with depression are at greater risk of developing back pain and, inversely, chronic pain makes people 3x more likely to experience mental health issues.

The Centre for Mental Health UK estimates that people living with a physical health condition are twice as likely to have poor mental health. Many private medical insurers globally do not cover mental health treatment, so when private medical insurance does not pay any claims, the risk of potential future disability claims is not foreseen, and interventions are not implemented to prevent the health issue. At the same time, the risk of comorbidity cannot be foreseen, nor prevented either.

At GEB, we have been busy looking at ways to help our captive clients overcome these issues. This has involved, among other things, the ongoing work by our health and wellness team to identify comorbidity risk for physical and mental illness via GEB's *Global Medical Dashboard Report*. Through this analysis, we provide a window into potential underlying high, medium or low comorbidity risk between mental illness and physical illness, also including pain conditions, MSK issues, such as back pain, dorsopathies (any disorder of the back or spine), disc disorders and soft/connective tissue disorders. In other words, we are trying to use the medical claims data to identify potential risk for other lines of business.

During the pandemic, the data suggested that, while claims dropped overall,

claims with risk for comorbidity between physical and mental illness have either increased or decreased at a lower rate.

### Prevention and early intervention

By keeping an eye on medical claims data, with a view to identifying risk for MSK and/or mental health issues, early intervention services can be brought into play by captive clients when they are likely to be most effective.

Although benefits and services vary from policy to policy and country to country, this might include – via medical cover – ergonomics, screening services, health check-ups and telemedicine. Via LTD, it might include a wide variety of embedded early intervention and rehabilitation services. These were originally included to help support employees on long-term absence to return to work within the shortest possible duration via vocational rehabilitation and targeted care pathways.

Increasingly now though, they include a range of services – such as access to telemedicine, mental health services, second medical opinions and even working carer support services – to support employees at a very early stage in their absence, with a view to helping individuals back to work before the claim kicks in. Such services are also increasingly being used to help support a preventative focus within organisations, with employees able to freely access them whether they are absent or not.

Since the implementation and promotion of such services may fall into human resources, employee benefits or even work health and safety, a cross-department approach between captive management and other areas of the organisation to these interventions is of high importance.

As a side note, GEB has also identified a distinct overlap between medical claims data and LTD data with regard to cancer. A recent report suggested that Europe faces a 'cancer epidemic' after around 100 million screenings were missed because of the Covid-19 pandemic, with estimates that around one million cancer diagnoses have been missed.

Consequently, the potential for cancer being diagnosed at a later and more invasive stage – and, hence, bigger claims – is very real. Again, this brings into sharp focus the critical role that early intervention services could and should play as part of employee benefit captive risk management strategy. 