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WELLNESS PROGRAMS TRIM MEDICAL COSTS AND IMPROVE EMPLOYEE PRODUCTIVITY

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INTRODUCTION

A Wellness Program is a comprehensive plan used to assess a company's health risks at the individual level and to implement programming to reduce those health risks in a cost efficient manner. The goal is to show a return on investment through lower healthcare costs, reduced absenteeism, increased productivity and improved employee retention.

EXECUTIVE SUMMARY

One way of proactively helping employees to effectively manage their health conditions or keep them under control would be via Wellness Programs (also called Employee Assistance Programs).

Providers state that employers can expect properly designed Wellness Programs to generate lower healthcare costs, improved productivity, decreased absenteeism, reduced Worker's Compensation expenses, higher morale, increased employee retention, an effective recruitment tool, enhanced company image, and healthier and happier employees. The American Journal of Health Promotion analyzed over 200 Wellness Programs that showed an average Medical Cost ROI of 3.48.

The Federal Government has issued final rules relating to employee wellness programs. Plans may discriminate against an employee's health by offering a reward, such as a premium discount or waiver of a cost-sharing requirement, if the reward is based on participation in a program of health promotion or disease prevention (i.e., a Wellness Program).

HEALTHCARE CONCERNS

Most American employers—about seven out of ten—believe that they have a responsibility to promote wellness among their workers, but far fewer do anything about it So says a 2003 survey of 354 U.S. companies and nonprofit organizations by the American Management Association.

"We have cut as much as we can cut in terms of cost-sharing and getting people to pay higher co-payments," says David Groves, vice president of corporate health management at Comerica Bank. "The one opportunity that's left is cost avoidance. [1]"

Two of the main reasons for continuing double-digit increases in medical insurance premiums are the aging population and the continuing decline in health of the nation's population as a whole. The American Journal of Health Promotion found that approximately 25% of all outpatient and inpatient health plan claims were related to seven major health risks. The risk factors include poor nutrition, inadequate exercise, insufficient sleep, and being overweight. These factors then lead to increased occurrence of infection, diabetes, heart disease, and cancer. Experts in the field of workplace wellness estimate that 30% to 60% of health plan costs could potentially be reduced or avoided altogether. Karen Roberts, SVP at Aon Consulting explains that half of all disease is preventable. 27% of the population accounts for 85% of all health care costs in the U.S.

HEALTHCARE CONCERNS CONT.

The Centers for Disease Control and Prevention report that nearly 65% of the U.S. adult population is overweight or obese [2]. Other research suggests that obesity is a greater trigger for health problems and healthcare spending than are smoking or drinking, and that obese individuals have 30-50% more chronic medical problems than those who smoke or drink heavily [3]. Obesity accounts for approximately 9.1% of total annual medical expenditures[4], with an astounding workplace loss of $13 billion per year in associated health care, sick leave, life insurance, and disability costs [5] . Obesity alone is connected to 30 million lost work days annually [6].

Yet less than 5% of health care expenditures are directed toward efforts to promote healthier lifestyles. Imagine spending only 5% for motorvehicle maintenance while spending 95% on repair. Instead of investing in regular oil changes, you would buy rebuilt engines [7] .

Reductions in risk factors, such as high blood pressure, elevated cholesterol levels, and smoking have shown to lower health care costs. For example, U.S. Aetna Corporation stated that exercisers cost employers $282 less per year than non-exercisers.
One way of proactively helping employees to effectively manage their conditions or keep them under control would be via Wellness Programs (also called Employee Assistance Programs).

In a review of articles, surveys, and studies conducted by Dr. Maureen Fleming, Professor of The Management School of Business Administration at the University of Montana, Wellness Programs are considered by employers to be one of the most effective strategies for managing healthcare costs. These comprehensive programs assess a company's individual needs, implement programming to meet those needs and evaluate the results, in order to show a return on the investment.

BENEFITS OF WELLNESS PROGRAMS

“If we can help an employee identify, earlier than they normally would, if they are at risk for hypertension, diabetes or cardiovascular disease, we can help them prevent a very high cost (insurance) claim, a trip to the doctor or even a catastrophic event,” said Scottsdale’s Kronos Optimal Health Centre’s program coordinator Kelly Byrd.

Activities can be planned to help achieve such outcomes as: increased physical activity; increased healthful eating; or, decreased tobacco use. Small changes daily lead to big results. Programs with the components to achieve maximum return have shown positive health behavior changes in as little as six months.

Providers state that employers can expect properly designed Wellness Programs to generate lower healthcare costs, improved productivity, decreased absenteeism, reduced Worker’s Compensation expenses, higher morale, increased employee retention, enhanced company image, and healthier and happier employees. There is also evidence that workplace injuries decrease. Wellness Programs can be an effective recruiting tool.

Programs that prevent high-risk pregnancy, screen for potential heart attack and stroke, minimize communicable disease, teach stress reduction and injury prevention bring a faster financial return for a company. A decrease in absenteeism is usually the first observed benefit. Increases in productivity begin to show up in a six to twelve month timeframe.

A 2001 study of Duke University employees with high cholesterol and high blood pressure found that the majority of those who participated in a program that focused on employees with health conditions decreased their health risks. For example, 54% of the 194 participants with high cholesterol eliminated their risk factors. Duke estimated that it saved $124,800 in health insurance costs as a result.

EFFECT ON THE BOTTOM LINE

Employers are realizing that the health of their employees is actually a vital part of their "human capital." It is a largely untapped source of productivity gains that can improve business performance. Wellness is more that the mere absence of illness—it includes the absence or reduction of health risk factors that are likely to result in costly disease if not reduced or eliminated.

Employers need to think of their contributions to these programs not only in terms of the provision of a benefit to employees but as an investment in productivity for the business. There are four tangible outcomes that impact a company's bottom line: health plan costs; sick leave costs; reduced Worker's Compensation costs; and reduced disability costs. There are also intangible results that will increase a company's bottom line: increased employee productivity; improved work effectiveness; improved decision making; and increased customer rapport and retention through improved service [8].

Numerous reviews of the literature since 1996 by the Centers for Disease Control and the American Journal for Health Promotion have shown good documentation of Wellness Programs' effectiveness.

Healthcare cost related to sick leave, disability cost and Worker's Compensation can be cut approximately 25% with the use of a well-designed Wellness Program. For example, the healthcare related costs for a person that is obese are approximately $1,244 higher than a person within a healthy weight range.

EFFECT ON THE BOTTOM LINE, CONT.

It takes up to three to five years to see savings in health insurance premiums. However, the average Return on Investment (ROI) is around $3 for each cumulative dollar spent. (The American Journal of Health Promotion analyzed over 200 Wellness Programs that showed an average Medical Cost ROI of 3.48.) For example, if $100 per year is invested in a Wellness Program, the return may be $900 per year of premium savings after three years [ROI of 3 x ($100 + $100 + $100)].

Companies that invest $100 to $300 per employee annually in a comprehensive program can expect the best return—between 200% and 600% [9] . To measure how the bottom line is affected attendance, sick leave usage, and employee turnover can be reviewed before, during, and after intervention. It may take several rounds of interventions to begin to see cost savings. A relatively simple measure of ROI is to look at annual healthcare costs at the end of three years. The difference of annual healthcare premiums between participants and non-participants is the return.

A positive ROI can be achieved at surprisingly low participation rates, and ROI increases dramatically as participation increases. Wendy Lynch, PhD, educator, author, and expert on comprehensive wellness strategies, published an analysis which showed that a comprehensive Wellness Program reaches brea-keven when just 1% of employees are shifted from "high risk" to "low risk" status [10] .

Wellness Programs make excellent additions to compensation programs for employee recruitment and retention. In a survey conducted by Lee Hecht Harrison (LHH), the world's largest international placement firm, the greatest number of respondents (58%) chose a health club membership over a wish list of discretionary benefits that included use of a company car, concierge services, and tuition reimbursement. This indicates how positively potential recruits view Wellness Programs.

EFFECT ON THE BOTTOM LINE, CONT.

Companies are analyzing the bottom-line effect of conditions such as seasonal allergies, migraines and stomach troubles—particularly when employees show up for work but operate at far less than 100%. This lack of productivity has been dubbed by health professionals as "presenteeism." U.S. research on the issue, referred to in a recent article in the Harvard Business Review, suggests that presenteeism causes a greater loss to companies than the costs of absenteeism, direct and indirect medical costs and long- and short-term disability payments put together [11].

Presenteeism is not about malingering (pretending to be ill to avoid working) or slacking on the job (e.g., surfing the internet when one should be working) but rather about productivity loss due to real health problems such as allergies, asthma, chronic back pain, migraines, arthritis and depression.

To evaluate presenteeism, companies are using employee questionnaires developed by researchers at universities including Harvard, Tufts and Stanford. The researchers have formulas to quantify the reduced productivity that comes when an employee has a chronic or recurring malady.

FACTORS IN THE WELLNESS PROGRAM STRUCTURE

To achieve maximum return on investment, the employees must understand that the program is a highly valuable personal benefit. It is important to have an educational component similar to safety training to develop motivation and commitment in the employees to change to healthier behavior. An employee must see specific opportunities for wellness improvement, and may need personal coaching over a period of months to "un-learn" unhealthy habits. Evaluations have found that one-on-one counseling of participants can increase follow-up intervention participation from 10-15% to 50-85% of those at risk.

The overall plan should include management education and a voluntary wellness team for internal morale and positive reception of the plan. Identify a coordinator, at least one employee who can dedicate time to worksite wellness. Wellness Programs should include employee referrals to community services for additional, individualized support services.

Early on, the plan must assess major focuses after information gathering—which categories of health issues should be approached first? Which categories have the largest impact? A needs assessment —a Health Risk Appraisal (HRA)—helps identify where to start with a worksite Wellness Program. It shows existing resources and areas needing improvement. Employee surveys about their needs and interests increase buy-in. From this assessment, management can develop a clear vision of the desired outcome and can create and track the metrics which indicate company-wide improvement. What do you want to get out of a worksite Wellness Program (e.g., reduced turnover; decreased absenteeism; fewer injuries; healthier employees)? What could realistically be done in a year or two? What would employees like to see done?

A Wellness Program can be structured as an internal program or through a service provider. One of the advantages of developing an internal Wellness Program is being able to design, shape and tailor the program to the organization's specific population and its needs. Internal programs are also often less expensive because employers can hire great people for much less money than they'd pay a vendor or contractor to do the same job.

FACTORS.. CONT.

Hiring an outside vendor to design and implement a worksite Wellness Program may be the right choice for many employers. The plus side here is that you are hiring an organization whose full time job is to provide such services. These vendor organizations are often leading edge. It's a much simpler process to renew a vendor's contract or fire them than hiring or firing internal staff. As a general rule, a vendor program includes programming, administration, and the cost of providing services in its contracted price.

There are two common payment models: the per-eligible employee model and the per-participant model. In the per-eligible employee model, the employer pays a flat fee per eligible employee. It's the vendor's responsibility to improve the health and well-being of the group. This is a cost-effective method that holds the vendor responsible for planning, implementing, and achieving results.

The per-participant model divides the employee population by risk factors: high-, medium- and low-risk. The program is delivered piecemeal with each individual receiving a slightly different program based on need. Employers pay for the individual programs and interventions used. In the per-participant model, the employer can choose to limit which programs will be offered or to what degree—in a cost-saving vein. However, then the vendor can claim that certain outcomes were not attained because the employer preempted the necessary programs or degree of involvement [12].

Implementing a Wellness Program post-HIPAA (Health Insurance Portability and Availability Act) can be complicated and requires knowledge of several regulatory schemes. American with Disabilities Act (ADA) and HIPAA permit Wellness Programs as long as they provide incentives for behavior, not health status. (Employees can take steps to eat healthier, exercise more, or quit smoking but they can't necessarily control their blood pressure or cholesterol levels.) In addition, such programs must be voluntary, not mandatory.

FACTORS.. CONT.

The Federal Government has issued final rules relating to employee wellness programs[13] . Plans may discriminate against an employee's health by offering a reward, such as a premium discount or waiver of a cost-sharing requirement, if the reward is based on participation in a program of health improvement or disease prevention (i.e., a Wellness Program). The new rules list the following five examples of employee Wellness Programs that would not be discriminatory:

(1) a program that reimburses all or part of the cost for membership in a fitness center;
(2) a diagnostic testing program that provides a reward for participation and does not base any part of the reward on outcomes;
(3) a program that encourages preventive care through the waiver of the co-payment or deductible requirement under a group health plan for the costs of specific types of care, such as prenatal care or well-baby visits;
(4) a program that reimburses employees for the costs of smoking cessation programs without regard to whether the employee quits smoking;
(5) a program that provides a reward to employees for attending a monthly health education seminar.

An employee Wellness Program can base rewards on health factors and still be considered nondiscriminatory, but the program must meet five additional requirements:

(1) the total reward given to an individual may not exceed 20% of the cost of coverage;
(2) the program must be reasonably designed to promote health or prevent disease;
(3) the program must give eligible individuals the opportunity to qualify for the reward under the program at least once per year;
(4) the reward must be available to all similarly situated individuals, including a reasonable alternative standard for obtaining the reward for any individual for whom it is unreasonably difficult or medically inadvisable to satisfy the otherwise applicable standard;
(5) and, the plan must disclose in all plan materials describing the terms of the program the availability of a reasonable alternative standard [14].

FACTORS.. CONT.

You can connect wellness achievement to participation, e.g., participating in at least three Wellness Program events in a year, wearing or planning to wear a seatbelt, quitting or planning to quit to use tobacco. You can use biometric data—things like cholesterol levels, blood pressure, and percent body fat—as criteria in an incentive system, as long as you also allow people to gain the reward by simply participating in the program to meet the requirement.

Most employers providing Wellness Programs offer annual checkups and screenings based on the United States Preventive Services Task Force guidelines. Employers can skip expensive, full workup physical exams. The average healthy person doesn't need this type of workup on an annual basis.

Incentives can have a significant effect on employee participation in Wellness Programs. Quoting a Hewitt Associates source, the Wall Street Journal reported that, [W]hen no incentive is offered our clients have a participation rate of 20% or lower…If they do offer some kind of incentive, or penalty, they see far more participation, sometimes as high as 90% or more." (T. Cullen, "More Firms Pressure Workers to Adopt Healthier Lifestyles," The Wall Street Journal October 27, 2005) [15]

It can be motivating for employees to have incentive items attached to small successes. For example, if an employee reaches his or her activity goal, he or she could receive a pedometer, microwave vegetable steamer, or good athletic socks.

Cash in a tax-advantaged form is a tremendous incentive to engage employees in wellness initiatives. Probably the most typical way to use a cash incentive in a tax-advantaged form is to offer employees a health insurance premium reduction. Another effective form of incentive for participating is a coupon or gift card. Incentives of $25 can motivate employees, while higher incentives do not dramatically improve the response rate.

The employer will be relying to a great extent on the honor system. They must build a culture where the honor system is sufficient to prevent a large proportion of employees from using the system to cheat. Employers can require individuals to submit a form listing the criteria they met during the incentive period. The form would state that items will be reviewed and verified. If an employee is found to be making misleading statements, he or she will be required to return the incentive. Fostering the feeling of "I better tell the truth because I might get caught" is sufficient to prevent a large proportion of employees from using the incentive system for personal gain [16].

FACTORS.. CONT.

Wellness achievements that are easy to verify include attendance at events and physical activity journals.

A good ballpark estimate for Wellness Programs cost is somewhere in the neighborhood of $100 to $150 per eligible employee per year. Typically, wellness programs in this cost range achieve greater than 50% participation. They usually include a HRA for every eligible employee and tailored, targeted follow-up for these employees [17].

RESULTS FOR ADOPTERS

Prudential Insurance cut absenteeism by more than 50% and realized nearly two dollars for every dollar invested in employee fitness through a Wellness Plan [18].

At Bank One, one of the earlier companies to work on the issues of presenteeism, a study of allergies at the company has led to an educational program that, among other things, encouraged employees to take antihistamines that are non-sedating, according to Wayne Burton, a wellness and productivity executive at J.P. Morgan Chase.

Comerica surveyed its employees and found that about 40% of respondents said they suffered from irritable bowel syndrome (IBS), which can involve abdominal discomfort, bloating and diarrhea. Extrapolating from that, it was estimated that the problem cost the company at least $8 million a year in lost productivity. Comerica now provides written materials for its employees about IBS and has sponsored physician seminars to educate workers about how to recognize and deal with it through their living habits, diet and possible medications [19].

An example of a Wellness Program that has been used in South Africa to good effect is the provision of a flu injection to all staff at the employer's expense [20].

National companies that have demonstrated a Return on Investment from Wellness Programs include: Coors Brewing – 615%, Bank of America – 600%, Kennecott – 578%, Equitable Life – 533%, General Mills – 390%, Travelers Corp. – 340%, Motorola – 315%, and DuPont – 205% [21]. In the Citibank program, 51% of eligible employees completed an HRA and only 5% completed a follow-up intervention. The program yielded an ROI of $4.56 per dollar invested. Kathryn Parker, consulting Wellness Director for Gainesville, Florida reports that its Wellness Program achieved 90% participation. Its ROI is $7 for each $1 invested [22].

In 2003, The Bank of Geneva in Geneva, Indiana, compared its health insurance costs to its salaries and found that in eight years at 15% increases annually; the health insurance premium would equal the employees' salaries. In that year, the bank developed a program with its health insurance carrier that would reduce deductibles if an employee made lifestyle-related changes in four areas: blood pressure, body mass index, cholesterol and smoking. First, the deductible was raised from $500 to $2,500. Then an employee could earn a $500 reduction in deductible by bringing one of the areas to within an acceptable range. Most employees were able to qualify for two or three of the four. Some qualified for all four areas and reduced their deductibles to the original $500. The bank also offered $225 per year reimbursement for health club membership or a reimbursement of 50% of the price of home exercise equipment.

The result of this effort is that the Bank's health insurance renewal for 2006/2007 was essentially unchanged from the year before [23].

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