How to Make the Case for Wellness Programs to Your C-Suite: Broadening the Value Proposition for Workforce Health Improvement

Kimberly Jinnett, Ph.D.
Research Director
Integrated Benefits Institute
Today’s agenda

• The old vs. the new model of health
• What’s really at risk for employers?
• What’s the evidence say?
• Can we convince the CFO?
• Oh, yeah, what about the data?
New Employer Realities

• Show the C-suite the value of improved workforce health

• Healthcare reform: the value of a healthy workforce or the cost of healthcare?

• Dead end: attempting to control claims costs in separate program silos

• Looking for best strategies to improve workforce health, reduce lost time and enhance productivity

• Limited data, time and dollars
The Old Model of Health

Plan Design → Medical Treatment → Claims Costs
The New Model of Health

Health Behaviors

Plan Design

Health Risks

Health Conditions

Medical Treatment

Work Absence

Work Performance

Claims Costs

Business Impacts
What’s at Risk for Employers?
The True Costs of Health

- 10,000 life manufacturing company
- 70% male
- 25% of employees 55 years or older
- 62% skilled/semi-skilled laborers
Health Costs – The “Traditional” View

Total = $24.1 MM

$ Millions

- Medical (EE)
- Medical (family)

$0

$5

$10

$15

$20
Health Costs – The “Integrated” View

Total = $28.8 MM

- Medical (EE)
- Medical (family)

$20
$15
$10
$5
$0

$ Millions

Medical
Pharmacy
Health Costs – Adding Absence

Total = $38.8 MM

- Medical
- Pharmacy
- Wage replacements

$ Millions

Medical (EE) | Medical (family) | Time-loss pay
Health Costs – Adding Lost Productivity

Total = $58MM

- Medical
- Pharmacy
- Absence LP
- Performance LP
- Wage replacements

$ Millions

Lost productivity

Medical (EE)
Medical (family)
Time-loss pay

$0 $5 $10 $15 $20
Quantifying *Financial* Lost Productivity

- *Lost productivity* – “the financial impact on a company when employees are not at work and fully functioning”
- Two components: absence and decrements in job performance (“presenteeism”)
- The Financial Impact of Absence
  - Wage replacement payments
  - “Opportunity costs” of ER’s response
- The Financial Impact of Presenteeism
  - Wage and benefit “overpayments”
  - Opportunity costs of resulting lost time

Full Cost Components

- Medical: 28%
- Wage replacements: 48%
- Absence LP: 8%
- Performance LP: 16%
POOR HEALTH COSTS U.S. ECONOMY

$576 BILLION

39% DUE TO LOST PRODUCTIVITY

The estimated costs are categorized into the following three major areas

In billions of dollars

$232

$227

$117

Wage Replacement (incidental absence due to illness, workers’ comp, short-term disability, long-term disability)

Medical and Pharmacy (employee group health and workers’ comp medical treatments, employee group health pharmacy treatments)

Lost Productivity (absence due to illness, reduced performance)

Published in:
- Forbes
- Kaiser Health News
- Washington Post

Source: Integrated Benefits Institute
Linking Healthcare to Productivity Outcomes
Going Beyond Medical & Pharmacy to Absence and Presenteeism

Cost per 1000 EEs

- Depression
- Obesity
- Arthritis
- Back/Neck Pain
- Anxiety
- GERD
- Allergy
- Other cancer
- Other chronic pain
- Hypertension

- Medical
- Pharmacy
- Absence lost prod
- Presenteeism lost prod
Co-Morbidity and Lost Time

- Absence lost time
- Presenteeism lost time

Lost days vs. # of chronic conditions chart.
# Top 10 Health Conditions by Category

<table>
<thead>
<tr>
<th>Rank</th>
<th>Medical Condition</th>
<th>Pharmacy Condition</th>
<th>Medical &amp; Pharmacy Condition</th>
<th>Productivity Condition</th>
<th>Total Cost Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Other Cancer</td>
<td>GERD</td>
<td>Other Cancer</td>
<td>Depression</td>
<td>Depression</td>
</tr>
<tr>
<td>2</td>
<td>Back/Neck Pain</td>
<td>Diabetes</td>
<td>Back/Neck Pain</td>
<td>Obesity</td>
<td>Obesity</td>
</tr>
<tr>
<td>3</td>
<td>Other Chronic Pain</td>
<td>Hypertension</td>
<td>Other Chronic Pain</td>
<td>Anxiety</td>
<td>Arthritis</td>
</tr>
<tr>
<td>4</td>
<td>Coronary Heart Disease</td>
<td>Arthritis</td>
<td>Depression</td>
<td>Arthritis</td>
<td>Back/Neck Pain</td>
</tr>
<tr>
<td>5</td>
<td>Depression</td>
<td>Allergy</td>
<td>Coronary Heart Disease</td>
<td>GERD</td>
<td>Anxiety</td>
</tr>
<tr>
<td>6</td>
<td>Sleeping Problem</td>
<td>Depression</td>
<td>Arthritis</td>
<td>Allergy</td>
<td>GERD</td>
</tr>
<tr>
<td>7</td>
<td>Arthritis</td>
<td>Asthma</td>
<td>Diabetes</td>
<td>Hypertension</td>
<td>Allergy</td>
</tr>
<tr>
<td>8</td>
<td>Skin Cancer</td>
<td>Anxiety</td>
<td>Hypertension</td>
<td>Back/Neck Pain</td>
<td>Other Cancer</td>
</tr>
<tr>
<td>9</td>
<td>Diabetes</td>
<td>Migraine</td>
<td>GERD</td>
<td>Sleeping Problem</td>
<td>Other Chronic Pain</td>
</tr>
<tr>
<td>10</td>
<td>Obesity</td>
<td>Osteoporosis</td>
<td>Sleeping Problem</td>
<td>Fatigue</td>
<td>Hypertension</td>
</tr>
</tbody>
</table>
IBI Research: Making Health the CFO’s Business
Key Findings

- CFOs are key participants in benefits decision making
- Health is an organizational priority
- Productivity is critical to bottom line but the role of health is less clear
- CFOs understand health impacts financial performance
- Internal information is most credible but critical information is lacking
- CFOs suggest ways to measure productivity
Health’s Link to Financial Performance

- Increased health care costs: 61% (significant), 35% (moderate)
- Increased sick days: 40% (significant), 50% (moderate)
- Excess labor costs: 30% (significant), 50% (moderate)
- Higher turnover: 27% (significant), 46% (moderate)
- "Opportunity costs": 26% (significant), 55% (moderate)
- Absence payments: 16% (significant), 56% (moderate)

Significant impact | Moderate impact
What’s “Very Important” to Workforce Productivity

- Maintaining skilled workforce: 75%
- Controlling staff size: 61%
- Increasing EE satisfaction: 51%
- Controlling turnover: 48%
- Providing EE training: 42%
- Making capital investments: 37%
- Improving EE health: 30%
- Other: 22%

Health
Strength of Health Culture

% of CFOs

12%

36%

24%

28%

1 2 3 4

Weak health culture

Strong health culture
If You Work in a Health-Focused Culture

• Improving health is seen as very important to productivity

• Health’s impact on business goes beyond healthcare costs and includes sick leave, “opportunity costs” of health, turnover, and absence payments

• Broader information available to make investment decisions: EE satisfaction, health risks, performance impact, ROI
Linking Health & Financial Performance: Putting Results in the CFO’s Terms

- Healthcare costs
- Sick days
- Turnover
- “Opportunity costs”
- Absence payments
Broad Information is Useful

- Benefit costs: 96%
- EE productivity: 91%
- Sick days: 90%
- EE satisfaction: 90%
- Health/Performance: 89%
- Benchmarks: 88%
- Health risks: 83%
- ROI: 82%

Helpful | Not helpful
... But Not Very Available
The Challenge of “Big Data” to Employers
The Three Key Data Questions for Employers

- **What** – What is the total health experience of the population of my employees?
- **Where** – Where in the organization are results coming from and what needs our attention?
- **How** – how can I take action to improve my results?
Workforce Key Health Dimensions*

- Financial (cost)
- Program participation
- Biometric screening
- Health risks
- Utilization
- Preventive care
- Chronic conditions
- Lost worktime
- Lost productivity
- Employee engagement

## Dimensions & Dashboard Metrics

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Summary Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Program cost/EE</td>
</tr>
<tr>
<td>Program participation</td>
<td>EEs participating/All EEs</td>
</tr>
<tr>
<td>Biometrics</td>
<td>EEs reaching target/All EEs</td>
</tr>
<tr>
<td>Health risks</td>
<td># of health risks/EE</td>
</tr>
<tr>
<td>Utilization</td>
<td># EEs getting care/All EEs</td>
</tr>
<tr>
<td>Preventive care</td>
<td># EEs getting screened/All EEs</td>
</tr>
<tr>
<td>Chronic conditions</td>
<td># EEs w/ chronic conditions/All EEs</td>
</tr>
<tr>
<td>Lost worktime</td>
<td># of lost workdays/EE</td>
</tr>
<tr>
<td>Lost productivity</td>
<td>Lost productivity $/EE</td>
</tr>
<tr>
<td>Employee engagement</td>
<td>Engagement score/EE</td>
</tr>
</tbody>
</table>
The Temporal Dimension

Leading indicators

✓ Health risks
✓ Biometrics
✓ Chronic condition prevalence

Treatment indicators

✓ Preventive care
✓ EE engagement
✓ Health services utilization
✓ Program participation

Lagging indicators

✓ Financial
✓ Lost worktime
✓ Lost productivity