

Worksite wellness programs

Just what the doctor — and senior management, employees, and shareholders — ordered

As US employers struggle to meet the rising costs of providing health benefits for their employees, many have introduced cost-containment strategies, including cost sharing, cost shifting, risk rating, and various forms of managed care. However, these methods do not confront the underlying causes of health cost escalation. Worksite wellness and health promotion are the most direct, prudent, and lasting solutions for keeping employees healthy and avoiding costs. Given that employers and employees are the primary commercial purchasers of health care, addressing individual health and well-being at the workplace is appropriate.

Some compelling reasons for employers to invest in wellness and health promotion include the facts that:

- More than 90 million Americans are presently living with chronic illnesses.¹
- Approximately one-half of the youth in the United States are not physically active on a regular basis.² These young people will soon be entering the workforce and adding to the financial burden of plan sponsors.
- More than 60 percent of adults do not achieve the recommended amount of regular physical activity and 25 percent of adults are not active at all.²
- Nearly one in five American adults is now considered obese and more than half of all Americans are overweight.³
- Since the release of the Surgeon General's Report on Smoking and Health in 1964, Americans have consumed 17 trillion cigarettes and approximately 10 million people in the United States have died from smoking-related causes.⁴
- More than 3,000 young people begin smoking every day.⁴
- Seventy-two percent of Americans experience frequent stress-related physical or mental conditions⁵ and 75 to 90 percent of visits to primary care physicians are for stress-related problems.⁵
- At any one time, between 20 to 40 percent of all Americans in general hospital beds are being treated for complications of alcoholism.⁶

How are plan sponsors responding?

This paper looks at answers to that question from several perspectives: program design, targeted initiatives, vendors, program costs, what works and what doesn't, and program return on investment (ROI). Finally, it recommends some next steps for employers that are considering implementing a wellness program.

In general, employers are responding with a growing willingness to invest in wellness initiatives that can reduce medical costs, decrease absenteeism, and increase productivity.

Over the last few decades, employers have come to appreciate that their funding of “consciousness-raising” efforts devoted to promoting employee health is a wise investment. Many see wellness as fundamental to a successful workplace and positive corporate culture. Other factors influencing the trend toward wellness include the emergence of favorable data on the impact of health promotion, effective health management strategies, and a maturing health management industry.

Buck Consultants recently conducted an employer survey entitled “Working Well: A Global Survey of Health Promotion and Workplace Wellness Strategies.” This survey showed wellness programs are most prevalent in the United States where 86 percent of the employers surveyed reported having some wellness initiatives. Interest in these programs is also growing worldwide. The survey reported that the top strategic objectives for wellness programs were:

- Reducing health care costs
- Improving worker productivity
- Reducing employee absences
- Attracting and retaining employees
- Promoting safety

The survey found that the top wellness initiatives for global employers were:

- Employee Assistance Programs
- Immunizations/flu shots
- Phone lines to nurses or decision support programs

Buck’s survey revealed that 79% of responding organizations have implemented some form of a wellness strategy and that another 14% plan to implement wellness programs within the next two years. Adoption of wellness programs is reasonably consistent regardless of number of employees; among smaller organizations (less than 500 employees), two-thirds offer wellness programs to their employees. Other studies also suggest a high level of wellness program adoption among US employers.

Wellness program design

Developing wellness programs that can meet the unique needs of a given employer’s population involves understanding that employer’s current health care environment, population demographics, turnover rates, current and projected costs associated with risky health behaviors, chronic disease, and employee/employer relationships.

Each employer group is unique and a one-size-fits-all approach will not provide the desired outcomes. When developing a health management program, employers generally ask clinical and analytical experts from an HR consulting firm to start with an analysis of the current population demographics and historical claims experience, a review of existing health management programs, and an assessment of organizational philosophy. Once that is done, the clinical and analytical experts work with the employer to develop realistic goals for a focused program that considers the organization’s objectives and the population’s needs.

Employee wellness programs can be designed for organizations of all sizes and cultures. A program can be internally developed and operated, or completely outsourced to a specialty vendor or provided through a health plan. The program may start with Health Risk Appraisals (HRAs) and/or biometric health screenings, followed by initiatives in disease prevention, risk reduction, and lifestyle modification. Ideally, chronic disease management and demand management programs should be integrated with wellness initiatives.

When developing a wellness program, an employer should:

- Determine program objectives and goals.
- Design a program addressing the risk factors and behavioral issues that are most common and potentially costly to the specific population.
- Consider the type of programs and modalities the population would accept and use most effectively (i.e., online, telephone, onsite, mail-based, opt-in or opt-out enrollment, etc.).
- Coordinate with existing wellness initiatives, disease management programs, health plans and other vendors, and applicable internal resources.
- Consider employee relations issues and confidentiality needs.
- Align the program with the overall business and health care strategy.
- Provide some form of initiative for every participant along the health continuum (from those who are very healthy to those with disabilities and serious health issues).
- Consider meaningful incentives that will promote participation.
- Roll out integrated health education, health promotion, and wellness programs to support healthy lifestyles and maintain the health of lower-risk members.
- Identify potential vendors for an RFP process (multiple vendors may be necessary to achieve goals).
- Maximize long-term results by integrating all programs, including wellness, disease management, disability management, behavioral health, workers' compensation, and medical plan offerings.
- Conduct ongoing monitoring of program metrics such as participation levels, employee feedback (satisfaction surveys), vendor performance guarantees, ROI, disability statistics (incidence and duration), and program impact on medical plan costs.

Common employer-sponsored wellness initiatives that should be considered are:

- Health Risk Appraisals (HRAs)
- Biometric screenings
- Predictive modeling
- Online, telephone, mail-based, and/or onsite wellness resources for:
 - Smoking cessation
 - Weight management
 - Stress management
 - Nutrition counseling
 - Fitness training
 - Back care or ergonomics
- Health fairs
- Lunch and learns/seminars
- Walking programs
- Contests/team challenges
- Health coaching or counseling
- Incentives
- Educational and promotional communications

Targeted initiatives

While pregnancy is a temporary condition, the clinical and financial impact of a suboptimal outcome can be devastating and long lasting to both the family and the plan sponsor. The average self-insured employer spends approximately 25 percent of health care dollars on maternity care. On average, 10 to 15 percent of pregnancies are high risk and only 10 percent of those can be identified in early pregnancy. One unhealthy baby can cost between \$20,000 and \$1 million, compared to approximately \$6,000 for a healthy pregnancy. Studies indicate that more than 60 percent of premature deliveries and low birth-weight babies are preventable through education and early intervention.

The most effective way to avoid premature births and pregnancy complications is through prenatal education and regular screenings. A maternity program that targets all women, not just those deemed high risk, is ideal. If the employer population has a concentration of women of childbearing age, a full prenatal education and maternity management program may be imperative. Such a program should provide 24/7 access to obstetrical nurses and periodic screenings as well as targeted education.

Vendors

Employers can choose from many types of wellness vendors. All major health plans offer some basic wellness initiatives such as health risk assessments and online tools for education and behavior change support.

Full-service, specialty health management vendors can offer integrated behavior change and outreach programs, health risk assessments, sophisticated Web and educational tools, onsite capabilities for health fairs/screenings, and customized programs.

The types and levels of services available vary widely among vendors. Some vendors simply provide health education content for newsletters and Webcasts. Other vendors specialize in smoking cessation or weight management programs. Local health systems and hospitals often offer community wellness programs.

Program costs

Naturally, budget considerations influence scope and scale when implementing a wellness program. The following are “ballpark” costs for some wellness initiatives employers may want to consider:

- Health Risk Appraisals (HRAs)
 - May be included in the cost of disease management, wellness, or health plan-based programs
 - Stand-alone, online HRAs range from \$.75 to \$1.50 per member per month
 - Paper-based HRAs range from \$10.00 to \$15.00 per HRA administered
- Online wellness programs
 - May be included in health plan administrative fees, bundled within disease management program fees, or available as a program “buy up”
 - Fees range between \$0.50 to \$7.00 per employee per month depending on the level of intensity
- Telephone outreach wellness programs
 - One-time fees are usually on a per-participant basis in the range of \$40 to \$250 per participant
- Biometric screening costs vary depending on the type of tests conducted, whether or not they are done onsite or in a lab/clinic, whether or not the results are automatically downloaded to the HRA, and other factors.
 - Screenings are typically priced per participant with an additional set-up fee to cover the expense of conducting the screenings
 - Fees range from \$40 to \$250 per participant
 - Set-up fees vary but are generally in the \$2,000 to \$3,000 range

Additional fees are often charged for the following services and must be proactively addressed during contract negotiations:

- Communications
- Incentives
- Data feeds
- Ad hoc reports
- Customization
- Self-help books, brochures, and online resources

What works and what doesn't?

No one implements a wellness program expecting it to fail. Yet many programs ultimately do not succeed. In general, programs fall short when participants are not receptive. However, there can be more specific reasons, including low participation in totally voluntary programs or privacy concerns.

Programs also fail when past cultural and organizational precedent leads to the assumption that they are a short-term, “flavor of the month” effort. To help counter that assumption, senior management, HR sponsors, and employees need to see such programs as an attempt to change lifestyles and health care decisions in ways that will be a win-win for both the employee and the employer. In short, employers need to foster a health-conscious corporate culture.

The two most important initiatives to ensure success include:

1. Communicate, communicate, communicate
2. Incentivize, incentivize, incentivize

Creative, targeted communications across multiple media will educate and build awareness to help participants understand that health management is not just about saving money; it is about promoting health. Essentially, targeted communications should send the message that those who choose to participate can enjoy a better quality of life and possibly even be rewarded financially. Frequent communications can increase awareness, keep the program current, and reinforce the program benefits.

These communications must also provide assurance that the participants' privacy and confidentiality will be strictly protected. For example, when employees understand the mechanics of health risk appraisal data collection and management, it can reduce their fears that their employers or others may have access to personal health information.

Incentives can help secure a participant's attention. They should be designed specifically for the targeted population and the desired behaviors being sought. The incentive strategy to encourage HRA participation would obviously be different from one that targets smoking cessation or weight loss.

Some common incentives that can be quite successful include:

- Wellness points to be redeemed for gifts
- Contributions to flexible spending accounts
- Health savings account contributions
- Reduced co-pays or deductibles
- Cash or gift cards
- Raffles or prizes

Return on investment

Most employers expect to achieve a return on investment (ROI) after implementing a wellness program; however, many struggle to calculate an ROI. Two reasons that contribute to the difficulty in measuring a return on investment are:

1. The lack of standardized methodologies for measuring savings from such programs; and
2. The length of time (usually one to two years) it takes to gather valid historical data to accurately measure the program's impact.

The International Foundation of Employee Benefits Programs, in a 2006 study, reported that most firms will see an ROI of \$2.00 to \$3.50 of savings for every dollar invested in wellness programs.

Another study by Goetzel, Juday, and Ozminikowski in 1999 found that corporations that used health management programs showed an ROI ranging anywhere from \$1.49 to \$13.00 in savings per dollar spent on the programs, depending on the components used. Disease management programs had the highest return in this study.

In Buck's experience, most savings achieved from wellness programs come from avoided costs, increased productivity, and decreased absenteeism. Although these savings can be difficult to measure in actual dollars and cents, increased worker productivity and performance and reduced absenteeism are now more widely seen as acceptable measures of program success.

The following are examples of how health habits and lifestyle behaviors affect productivity and absenteeism and how changing these behaviors can affect an organization's costs:

- An employee who smokes can cost an average of \$1,760 in lost productivity and \$1,623 in excess medical costs per year.⁷
- The absenteeism rate for those employees who smoke averages 50 percent higher than for nonsmoking co-workers.⁷
- Smokers are nearly six times more likely than nonsmokers to suffer disability or retire early; nearly 75 percent of early retirees are smokers.⁸
- Back injuries cost businesses \$10 to \$14 billion in workers' compensation expenses and approximately 100 million work days each year.⁹
- Estimates indicate that stress costs approximately \$200 billion annually in decreased productivity, increased health care costs, and greater absenteeism.¹⁰
- Depression-related presenteeism can generate up to 30 times more lost productivity than absenteeism.¹⁰

Recommendations

For many employers, partnering with a full-service health management vendor that can provide various wellness initiatives may be the best option. Alternatively, larger employers may wish to contract with more than one best-in-class provider, as long as these providers adequately integrate their services and clearly define accountability.

Employers generally should sponsor a Health Risk Appraisal to identify risk factors and raise awareness within the population. An incentive should be offered for completing the HRA to assure adequate participation. The program should also include online and telephone educational resources for basic behavior change programs, such as smoking cessation, weight management, fitness, and stress management. Additional programs can be added as needed once the results of the HRA are collected and additional needs are identified. Health screenings and flu shots might also be included.

Employers also may want to consider conducting an employee survey or focus group to determine what wellness initiatives would be most readily accepted and utilized. Involving the employees in the decision-making is an excellent way to get their buy-in and support.

Conclusion

We believe there is a significant opportunity to create savings through wellness and health management initiatives. These programs can be designed to be employee-friendly and are usually well received by the participants. By moving to a platform that provides employees with the tools needed to manage their health, employers can reduce their health care costs while helping employees improve their quality of health and life. The “healthier” employee environment that emerges leads to greater productivity and effectiveness.

Sources:

- ¹ National Center for Health Statistics.
- ² Surgeon General’s Report on Physical Activity & Health, 1996.
- ³ Centers for Disease Control & Prevention (CDC) and National Institute of Diabetes & Digestive & Kidney Diseases.
- ⁴ The American Cancer Society, CDC.
- ⁵ Murphy, American Journal of Health Promotion, 1996.
- ⁶ National Council on Alcohol & Drug Dependency, 1995.
- ⁷ Centers for Disease Control and Prevention (CDC), 2002.
- ⁸ National Council on Alcoholism and Drug Dependency, 2002.
- ⁹ National Institute for Occupational Safety and Health, 2002.
- ¹⁰ Employee Benefit Research Institute & Mathew Greenwald & Associates, Inc. 2003 Health Confidence Survey.

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