

Wellness at Work: Proving the Value of Health



Introduction

Wellness at Work: Proving the Value of Health is the by-product of a live Web event presented by WageWorks and Summit Health. It is intended to give Benefits professionals and other interested persons a detailed overview and analysis of corporate Wellness initiatives and the opportunity they provide companies to lower benefits costs and increase employee productivity and satisfaction.

To access a rebroadcast of the Webinar *Wellness at Work* go to www.go.wageworks.com and enter the keyword “wellness” when prompted.

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Founded in 2000, WageWorks helps employers support consumer directed pre-tax benefit programs, including health care (FSA, HSA, HRA), wellness programs, child and elder care, commuting services, education benefits, and employee sponsored programs, such as gym reimbursement. Wage Works also offers retiree health care and COBRA Services. More than 100 of America's Fortune 500 employers and millions of their benefits-eligible employees use WageWorks' programs. As the cost of living continues to rise and more health care costs are pushed to employees, WageWorks seeks to eliminate barriers to benefit participation so working families can save money and improve their overall well-being.

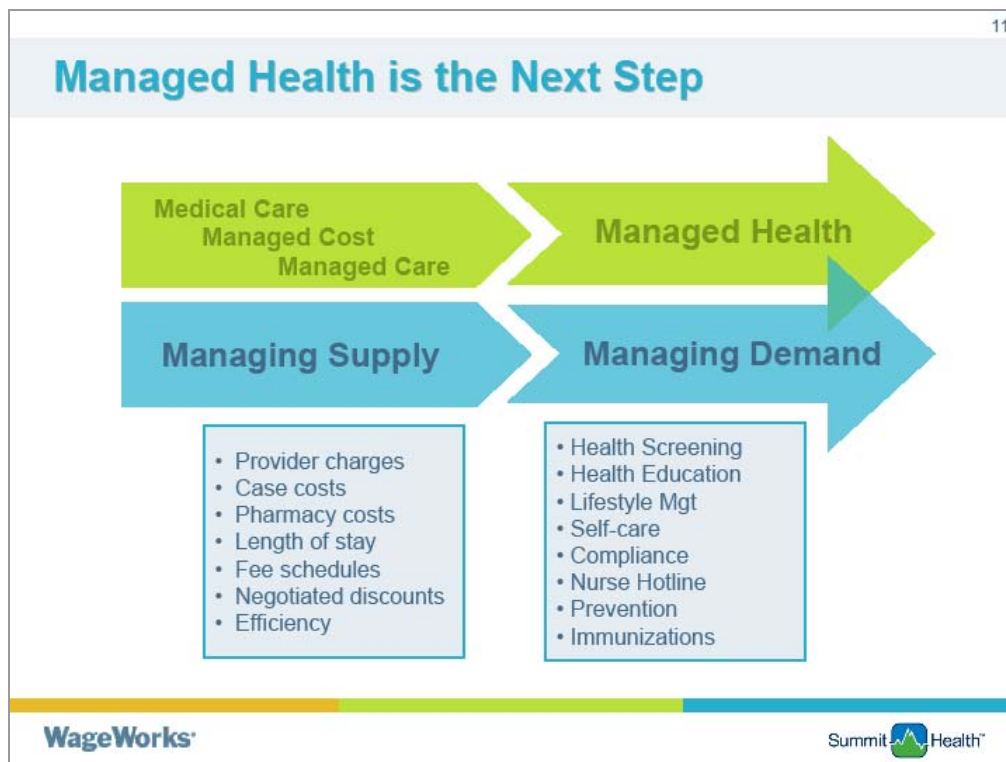
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Managed Care Gives Way to Managed Health

Given the current economic climate, corporations face a delicate balancing act of cost-cutting and maintaining their business advantage. That balancing act is particularly daunting when it comes to health care. Health care costs have represented an increasing share of corporate expenditures for most employers in recent years. Studies have shown that nearly 50% of corporate profits are consumed by employee health care costs, compared to the 7% spent 30 years ago. In the last 15 years, companies attempted to reduce the impact of health care costs through Managed Care. This method attempted to control health care costs by reducing the supply of health care services, as well as by passing an increasing share of the expenses onto the employee in the form of higher co-pays and the use of high-deductible health plans. Unfortunately, Managed Care has proven widely unpopular with employees due to its complexities and limitations. Employers have also seen massive increases in health care expenditures, not the decreases they had hoped for. While managed care initiatives successfully reduced health care *supply*, they did little to reduce the underlying *demand* (or need) in the population for health care services. As a result, employees tended to access the health care system when their medical problems were more advanced and could no longer be ignored, resulting in higher medical costs.



Given the historical failure of Managed Care to reduce costs, it has become clear that true health care cost reduction can only be achieved by reducing *demand* for health care services. Research has shown that the most cost-effective way to reduce demand for health care services is to proactively manage a population's health so they practice healthy lifestyle behaviors and receive proactive, low-cost preventive health care designed to reduce the risk of disease and disability. True cost reduction will come not from Managed Care, but Managed Health. Companies have a significant opportunity to reduce employee health care costs by

providing employee wellness programs and initiatives to encourage healthier lifestyle choices. By promoting employee health through health screenings, health assessments, targeted educational interventions, lifestyle management initiatives, incentives for participation and flu shots, companies can keep healthy employees healthy and reduce the financial impact of their “high risk” employees, whose tobacco use, nutritional choices, high blood pressure, alcohol intake and obesity can comprise as much as 25% of all insurance costs.

Additionally, organizations with healthier employees reap the less tangible but far-reaching benefits of reductions in absenteeism and increases in productivity, loyalty, and satisfaction. While these were once considered “soft benefits”, recent studies have revealed that the cost savings that are achievable from absence reduction and productivity improvement are far greater than the already-significant savings known to be achievable from health care cost reductions. Statistically, the benefits of implementing a wellness program will often completely offset its costs. Because of this, more companies are providing wellness programs to their employees, and workplace wellness programs have increased by 68% between 2003 and 2007.

The Chronic Facts about Employee Health

Employees who are at risk for health problems cost companies in ways other than direct health-care insurance expenditures. Higher health risks are associated with significant increases in absenteeism, disability costs, worker’s compensation costs, and general medical and pharmacy costs. A “high-risk” employee costs a company more than \$3,000 more per year for the above factors than his or her “low-risk” colleagues, a difference of 288%. In addition, a high-risk employee will be 18% less productive than one who is low-risk. This adds up to seven hours per week or two months per year in lost productivity.

What are the factors that determine an employee’s level of health risk? Research has identified 13 risk measures associated with increased health care costs and diminished employee productivity.

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The 13 Health Risk Factors

HEALTH RISK MEASURE	CRITERIA FOR “AT RISK”	% At Risk
Alcohol Consumption	More than 14 drinks/week	2.9%
Blood Pressure	Systolic > 139 mmHG or Diastolic > 89 mmHg	22.8%
Body Mass Index	BMI > 27.5	41.8%
Total Cholesterol	Greater than 239 mg/dl	8.3%
HDL Cholesterol	Less than 35 mg/dl	28% - Summit data
Existing Medical Condition	Heart disease, cancer, diabetes, stroke	9.2%
Illness Days	>5 days in past year	10.9%
Life Satisfaction	Partly or Not Satisfied	22.4%
Perception of Health Status	Fair or Poor	13.7%
Physical Activity	Less than one session per week	23.3%
Safety Belt Usage	Less than 100%	28.6%
Smoking	Current smoker	14.4%
Stress	High	31.8%

0-2 risks = **LOW RISK**
 3-4 risks = **MEDIUM RISK**
 5+ risks = **HIGH RISK**

OVERALL RISK LEVELS

No Risk	14.0%	Low Risk	55.3%
Medium Risk	27.7%	High Risk	17.0%

(Edington, 2006)

The designation of low, medium, or high risk is determined by identifying the number of “at risk” measures that apply to each employee: 0-2 indicates an overall “Low” Risk; 3-4 indicates an overall “Medium” Risk; and 5 or more indicates an overall “High” Risk.

Studies by Summit Health and the University of Michigan have determined that each “at-risk” measurement increases the overall cost for an employee by \$1,200 per year in health care expenses. High risk employees usually represent about 17% of the overall employee population. The implementation of employee wellness provides a high-impact methodology to systematically lower health risk and health costs. This methodology also helps to keep current “low risk” employees healthy and minimizes the natural upward drift of risk that occurs in an aging employee population.

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Relationship of Risk Levels to Corporate Costs

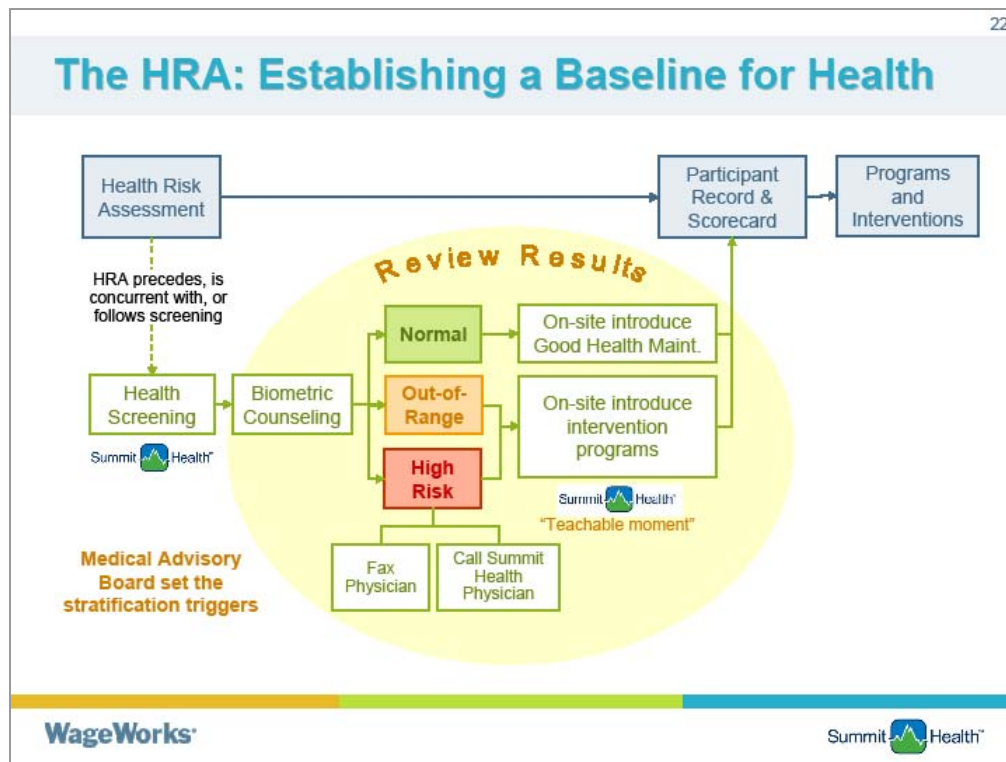
Cost Measure	Low Risk	Medium Risk	High Risk	% Difference from Low to High Risk
Short Term Disability	\$120	\$216	\$333	276% higher
Workers Compensation	\$228	\$244	\$496	218% higher
Absence	\$245	\$341	\$527	137% higher
Medical and Pharmacy Costs	\$1,158	\$1,487	\$3,696	319% higher
Total	\$1,751	\$2,288	\$5,052	288% Higher

(Wright et al, JOEM, 44(10), 1126-1134, 2002)

Taking a Complete Approach to Wellness

As opposed to Managed Care programs, which attempt to manage health care supply, worksite wellness programs seek to proactively and holistically manage health itself. The focus is not on the end cost, but on optimizing the wellness of each individual employee, through the identification and management of risk factors. This preventive approach helps employees to be healthier through the learning of self-care strategies and lifestyle management skills.

Wellness initiatives are typically implemented through a variety of lifestyle management programs. These range from the most passive, such as company-sponsored flu shots, to more involved programs that start with a Health Risk Assessment (HRA) for each employee, worksite coaching and education, and individually-tailored lifestyle programs.



Health risk assessments (HRAs) are a useful method to identify baseline health measures for individuals and populations. The HRA involves screening for such risk factors as cholesterol, Body Mass Index, blood pressure, lifestyle behaviors (nutrition, exercise, stress, alcohol, smoking), and mental outlook. The HRA results are shared with the participant, with recommendations for healthier lifestyle changes. Those employees with a low health risk will benefit most from primary prevention programs designed to maintain health, with incentives for participation in lifestyle management programs.

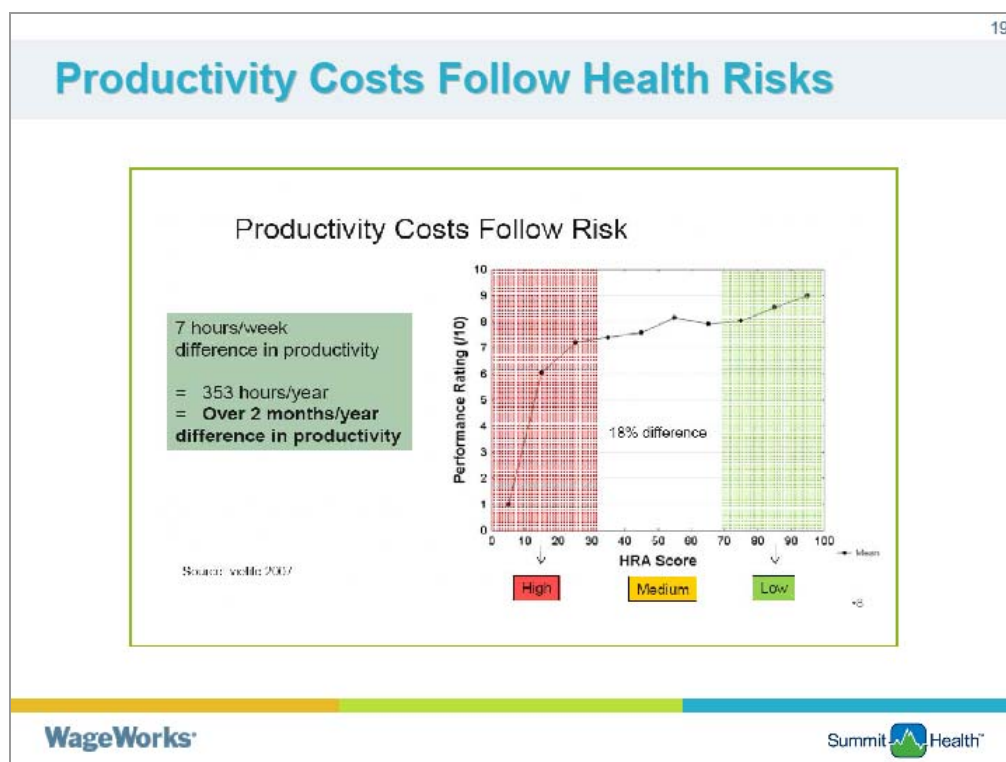
As an incentive, lifestyle management programs typically make use of an employer-funded Health Incentive Account (HIA), to reward participation in the wellness program. These HIAs can be either a Health Reimbursement Arrangement (HRA) or Flexible Spending Account (FSA). As employees initiate participation and meet health goals that lower risk factors, the employer deposits funds that can then be used for health care or non-health care expenses, with an option for remaining end-of-year funds to be rolled over. Often, a debit card is provided to allow easy access to the HIA funds.

Although HIAs are key motivators to encouraging employee participation, it has been found the prime engine for the success of a wellness program is honest and consistent communication within the company. If employees see that the leadership of the organization is actively engaged in the program themselves, instead of mandating involvement from above, the program is more likely to be successful. The wellness program must be embedded within the company culture, regularly measured, fine-tuned and reported upon. It cannot be a one-time flash in the pan that loses the interest of the top brass after a single quarter. When this embedding happens, the monetary rewards of the HIA become secondary. Employees find greater value in the emotional rewards gained through publicized company-wide recognition of their achievements, along with perks such as additional time-off or temporary use of a prime parking space. Whatever makes participation in a wellness program into a fun, team-building exercise will bring more employees into the fold.

Hands-On Approach to Employee Health

Employee wellness programs represent a major shift from the old model of health care expenditures. Employee health costs were until recently only seen as a steadily increasing budgetary drag over which companies had no direct control. Now, they can partner with their employees to improve health and lower costs as a result. The market has validated this new approach, with studies showing that companies save between \$1.99 and \$4.91 in health care costs for every dollar invested in employee wellness programs.

In addition to health care savings, the reduction of risk and increase of employee health can lead to measurable productivity gains. It is estimated that health risks impact yearly productivity by \$1,500 to \$2,000 per employee. But employees participating in wellness programs have an average of 1.2 fewer sick days than non-participants; have 30% less workers compensation claims, and 20-30% less turnover.



The savings seen in the reduced health costs and increased productivity mean that an appropriately-designed wellness program will yield an average return on investment (ROI) of 3 dollars for every dollar spent, and can pay for itself with even a small reduction in employee health risk, such as reducing hypertension from 49% to 48%. A drop in a single population risk measure of as little as 0.2% will earn back the cost of the program targeting that population risk measure in five years.

But the most valuable result of these wellness programs is that of a company improving the health of its employees, thereby increasing their workplace satisfaction and loyalty. This results in the retention of valued employees, and makes it easier to recruit top talent. Wellness programs are a tool with which employers can live up to the oft-said motto that “our most valuable resource is our people,” while achieving tangible cost benefits in doing so.