NEXT-GENERATION WELLNESS AT WORK

STEPHENIE OVERMAN

Greenwood
PUBLISHING GROUP

Next-Generation Wellness at Work

This page intentionally left blank

NEXT-GENERATION WELLNESS AT WORK

Stephenie Overman

Praeger
An Imprint of ABC-CLIO, LLC

ABC-CLIO

Santa Barbara, California • Denver, Colorado • Oxford, England

Library of Congress Cataloging-in-Publication Data

Overman, Stephenie.

Next-generation wellness at work / Stephenie Overman.
p. ; cm.
Includes bibliographical references and index.
ISBN 978-0-313-36029-9 (alk. paper) — ISBN 978-0-313-36030-5 (ebook)
1. Employee health promotion. 2. Occupational health services. I. Title.
[DNLM: 1. Occupational Health. 2. Health Promotion.
3. Organizational Innovation. WA 400 O96n 2009]
RC969.H43O94 2009
658.3'82—dc22 2009030396

13 12 11 10 9 1 2 3 4 5

This book is also available on the World Wide Web as an eBook.
Visit www.abc-clio.com for details.

ABC-CLIO, LLC
130 Cremona Drive, P.O. Box 1911
Santa Barbara, California 93116-1911

This book is printed on acid-free paper ∞

Manufactured in the United States of America

For my parents
John and Mary Lou Overman

This page intentionally left blank

Contents

Acknowledgments

Next-Generation Wellness at Work grew out of a long list of best practices at successful companies. That list, and the experience of company wellness management officials, contributed greatly to the book's conclusions. I thank all those who shared their time and expertise.

I would also like to thank my husband, Steve Taylor, for all his help and support.

This page intentionally left blank

Introduction: Beyond the Water Bottle

Twenty years ago, company wellness programs were an add-on, a nice extra. Company representatives passed out water bottles in promotions that encouraged employees to eat healthy and get more exercise.

However, the link to health-care costs and productivity was tenuous, and when budgets needed to be cut, wellness initiatives were often the first to go.

We're long past the point where a wellness program can be a soft add-on. Health-care costs are too high. The loss of productivity is too great. Competition in this economic climate is too fierce.

The best wellness initiatives have moved far beyond the 20th-century feel-good programs. Today, wellness managers must—and can—measure the results of their programs, proving that they reduce costs and increase productivity. Return on value is the new necessity.

Fortunately, a well-crafted wellness program is as good for employers as it is for employees. In addition to cutting health-care costs and increasing productivity, it enhances the employer brand. A company with a respected brand is one that people want to work for, want to contribute to, and want to stay with.

There's a lot to learn from the best practices of companies that are doing wellness right. For *Next-Generation Wellness at Work,* I've interviewed many people who are justifiably proud of their programs. Their companies are winners of prestigious honors: the WELCOA Well Workplace Award, the C. Everett Koop National Health Award, the National Business Group on Health Best Employers for Healthy Lifestyles Award, and the American Psychological

Association Psychologically Healthy Workplace Award. (See Appendix A.)

These are companies to not only admire but to look to for ideas when building a wellness strategy of your own. Their examples can help you and others successfully make the move beyond the water bottle.

Chapter One

First, the Payoff

Wellness has moved up in the world.

Stock in wellness is rising, fueled by concerns about rising health costs and the realization by companies that having a healthy workforce not only benefits their workers but also their bottom lines.

There's been a shift from viewing wellness as a soft benefit, a feel-good benefit, to recognizing it as part of the organization's overall health-care strategy. Savvy organizations have come to realize that, effectively managed, a healthy workforce is a competitive advantage in a tough market. They've also come to realize that the payoff for their investment won't only be years down the road, but more immediately because a healthier workforce is a more productive one.

It's certainly no secret that for the past two decades spending on health insurance has significantly outpaced both workers' earnings and the rate of inflation. In 2009, companies were expected to spend, on average, $9,660 per employee for health benefits, an increase of 6 percent from 2008.[1]

If food prices had risen at the same rates as medical inflation since the 1930s, we would be paying $80.20 for a dozen eggs and $107.90 for a dozen oranges.[2]

Everyone is concerned about health-care costs, employee and employer alike. The Congressional Budget Office has gone so far as to call the rising costs of health care and health insurance "a serious threat to the future fiscal condition" of the United States.[3]

ABSENTEEISM AND PRESENTEEISM

In addition to ever-higher medical costs, employers must cope with the high cost of absent workers. Absenteeism is linked to as much as

36 percent of payroll, or more than twice the cost of health care.[4] The 300 largest employers in the United States estimated that unscheduled absenteeism costs their businesses, on average, more than $760,000 per year in direct payroll costs.[5]

The cost of absence can be far greater than just wage replacement payments for lost time. Dr. Thomas Parry, president of Integrated Benefits Institute in San Francisco, notes that a company also bears "the opportunity costs associated with how it manages those absences—additional staff to have workers in reserve, the use of overtime or temporary help; the impact on the work performance of other team members or revenue lost through production shortfalls."

Smart employers have learned to measure not just the cost of absenteeism but also the productivity cost of *presenteeism*—which occurs when an underperforming worker is present but distracted, for example, by physical or mental illness. Presenteeism accounts for 61 percent of an employee's total lost productivity and medical costs.[6]

But there is hope. The health-care costs of people with chronic diseases such as diabetes and cardiovascular disease account for more than 75 percent of the medical care costs in the United States.[7] That means that there's much that individuals, with the help of their employers, can do to bring these costs down by making healthy lifestyle changes.

HARD NUMBERS

Organizations are searching for proof that wellness programs can reduce health-related costs and help improve the bottom line. Academics, company wellness professionals, and consultants have compiled a wealth of proof.

Watson Wyatt's 2007 Staying @ Work Report has some impressive numbers to offer: employers with the most effective health management programs achieved 20 percent more revenue per employee, had 16.1 percent higher market value, and delivered 57 percent higher shareholder returns.[8]

Dr. Dee W. Edington, director of the University of Michigan Health Management Research Center, has done extensive research on the effect of risk factors such as high cholesterol, obesity, and tobacco use on health costs. He finds that costs increase as the number of dangerous risk combinations increases. "However, wellness interventions designed to shift a high-risk individual into a lower-risk category can save as much as $4,078 in annual costs," notes Edington. The earlier people engage in changing their health status, the sooner risks are minimized and health-care costs are reduced, according to Edington. His research also shows that employee productivity decreases as health risks increase.[9]

Larry Chapman, senior vice president of WebMD Health Services and a trustee of the National Wellness Institute, has conducted an evaluation of 56 peer-reviewed journal articles on worksite health-promotion programs. Chapman found such programs produced an average 26.1 percent reduction in health costs, an average 26.8 percent reduction in sick-leave absenteeism, and an average 32 percent reduction in workers' compensation and disability management claims costs. He also measured an average $5.81 savings for every dollar invested.

Return on investment (ROI) is a key measure in the business world. In the wellness world, ROI is usually measured by determining the ratio of medical expenses not incurred to the total costs of wellness, including incentives paid to employees to participate. One commonly cited ROI range is 1.5:1 to 3:1 after three to five years, meaning that for every dollar invested in wellness, employers saved or can expect to save between $1.50 and $3.[10]

Experts warn against dazzling ROI claims that purport to show many dollars saved in a short period of time, but they say a well-designed, well-implemented program can positively affect health-care and health-related costs. One analyst says that while in the first year you should expect a net investment rather than a return, it's possible to start seeing a return on your investment in the second year and more likely in three to five years.

A 3-to-1 return specifically on health-care costs is the rule of thumb, but that doesn't look at other productivity factors that are estimated to be 3 to 10 times the direct medical costs. Even taking the conservative estimate, it's a significant return, according to one prominent analyst, David Anderson, senior vice president and chief health officer of StayWell Health Management, St. Paul, Minnesota.

The Health Project, a private-public organization formed to bring about behavioral changes in the American health-care system, carefully tracks the success of its C. Everett Koop Award winners:

- For every dollar Motorola invested in wellness benefits, the company saved $3.93. In 2000, that meant a $6,479,673 savings in the

United States. The company and employees saved approximately $6.5 million a year for lifestyle-related diagnoses such as obesity, hypertension, and stress.

- The Pepsi Bottling Group reported a return on investment of $1.70 for every dollar spent. Annual medical savings were estimated as averaging $264 per participant.
- USAA reported that workplace absences have decreased, with an estimated three-year savings of more than $105 million.
- The UAW-GM LifeSteps Health Promotion Program reported medical savings of $97 per participant per year and a disability/absence savings of $240 per participant per year.

ROI MODELS

It's often difficult to measure the ROI of a wellness program, but several nonprofit organizations are offering models to help you get started. Wellness Council of America (WELCOA) offers a free ROI calculator at Wellsteps.com. To use WELCOA's calculator, you'll need your company's total health-care costs over the past year, the total number of employees receiving benefits, and the percentage change in health-care costs per year for the past five years.

The calculator can show the cost of doing nothing—what will happen to your health-care costs over the next few years if you make no changes, based on health-care cost increases continuing as they have. Second, the calculator can project about how much money you could save if you decreased the percentage of workers who smoke or who are obese. Finally, the calculator can project what you would save on employee costs after implementing a low-, medium-, or high-intensity wellness program, according to WELCOA.[11]

The Alliance for Wellness ROI Inc., which is working to standardize wellness programs so that return on investment can be objectively measured, is launching an "ROI Valuation modeler" that will be able to calculate an estimated ROI for your company's wellness program, including individual components as well as aggregate program costs, compared to other companies.

The Corporate Executive Board also offers tools to estimate the returns you can expect from wellness, according to Michal Kisilevitz, who leads The Corporate Executive Board's benefits roundtable. "You used to be able to get away with 'Trust me. It will have an impact,'" she says. "But now a lot of our members feel that pressure to demonstrate returns. They hear, 'Make the case and convince me.'" It's initially difficult to show the value of wellness, she adds, because "if you do it well you are avoiding cost, not reducing costs. But over time you will see a reduction in cost because you won't have as many people sick."

Mary Liz Murphy, head of LifeForce Solutions Inc., sees a shift from measuring ROI to measuring "value on investment." It's a more meaningful measurement, according to Murphy, who is also project leader for the Conference Board's research working group "The Wellness Advantage." "Value on investment looks not only at financial indicators but also at participation indicators, screening indicators such as getting mammograms, health-risk indicators, clinical indicators, and utilization indicators," she says.

It's more challenging to add productivity indicators and shareholder value indicators, Murphy says, but researchers are in the "frontier stages" of research in those areas. With all of these indicators, you can better assess if what you're doing is working or not, she says, and if you are meeting the expectations of the different stakeholders—the CEO, the COO, shareholders, employees.

THE BOTTOM LINE

Health-care insurance isn't likely to get cheaper. Productivity isn't going to become any less important in this competitive climate. But the experience of workplace experts and a review of literature that examines the business rationale for worksite health promotion shows that when properly designed, a wellness program can increase employees' health and productivity.[12]

Now is the time to look at the numbers, to look at the potential payoff, and to implement a well-thought-out wellness strategy that truly benefits the bottom line. To execute that successful wellness strategy you'll need a champion at the top. Chapter 2 tells how to get senior-management buy-in.

Profile: Union Pacific Tracks Wellness Results (http://www.up.com)

Union Pacific Corporation sees a substantial payoff for its wellness initiative because it identifies its workers' most serious health risks, designs effective programs to reduce those risks, and tracks the results of its efforts.

Barb Schaefer, senior vice president, human resources, is adamant that "healthier employees who make good, informed decisions about their medical care help hold down rising health-care costs."[13]

Her motto is "An ounce of prevention is worth a pound of cure," because working on the railroad can be physically demanding for the mostly older workforce, some of whom are on call 24 hours a day. Fatigue is a chronic hazard. The prevention has plenty of time to pay off—the average employee stays more than 30 years with the company.

And Union Pacific has had plenty of time to hone its wellness initiative; it started the program back in 1987. Today, the "HealthTrack" program has four main components: employee assessment, analysis of the assessment results, targeted interventions, and periodic follow-ups. After evaluating the data, the Union Pacific health-promotion program seeks to raise awareness and control 10 targeted risk factors: alcohol consumption, blood glucose, blood pressure, cholesterol, nutrition, fitness, mental health, tobacco use, stress, and weight.

Over the years, Union Pacific has earned many honors for its efforts, including the WELCOA Well Workplace Platinum Award. WELCOA praises Union Pacific for "the most sophisticated approach available for supporting employee behavior change and affecting positive health and productivity outcomes. Instead of shooting from the hip, blindly hoping to help their population, UP uses assessment to develop the specific goals for Health Track. After gathering and evaluating this information, they are poised to implement targeted interventions designed to effectively reduce risk factors."[14]

The results, according to WELCOA, include the following:

- Blood pressure interventions have yielded a ratio of $4.29 saved for every $1 spent.
- Cholesterol interventions have yielded a ratio of $5.25 to $1.
- Smoking cessation interventions have yielded a ratio of $2.24 to $1.

The net effect of these interventions has been a cost ratio of $3.24 to every $1 invested, WELCOA notes, which is "highly significant when you consider that prior claims analyses have revealed that unhealthy behaviors cost approximately 40 million dollars per year during the 1990s."[15]

LINKING SAFETY AND HEALTH

Union Pacific coordinates safety, productivity, and health-care costs, says Jackie Austad, general director of health promotion and wellness, because "studies correlate health risks with safety. If you can improve health risks, the probability of injury goes down."

These studies show that stress, depression, fatigue, obesity, diabetes, and high blood pressure "significantly increase the likelihood of injury," she says. "We're trying to decrease the number of health risks, so we're confident we will get a corresponding decrease in costs. The goal is to make people healthier, to get that improvement to the bottom line."

The biggest challenge at Union Pacific now is weight, according to Austad. "It's the biggest health risk, and it impacts so many other health risks, such as cholesterol, blood pressure and diabetes. If we can improve weight, we can improve health in general."

To win the battle against the bulge, the company has given employees free access to more than 525 fitness centers system-wide, as well as a fitness facility at headquarters in Omaha, Nebraska. The Union Pacific Center also houses a dining room that features healthy cuisine. The company is proud to point out that 25 percent of sales are generated through the salad bar offerings. Even the vending machines offer healthy snack alternatives.

As the largest railroad in North America, Union Pacific has a lot of ground to cover to make sure its health message is communicated to its 50,000 employees in 23 states. A network of on-site regional health coordinators and occupational health nurses conduct health screenings and health fairs.

The unions are committed to improving employee health, says Austad. So is senior management. Union Pacific declared health and welfare one of its eight "Big Financial Deals" for the years 2001–2006, putting health on the same level as fuel costs and business in Mexico. Everyone wants "employees going home in as good or better shape than they came to work," she says.

This page intentionally left blank