

The Double Benefit of Workplace Wellness

MARKETING
INNOVATORS

White Paper - July 2013

Health Cost Savings and Employee Engagement



Why Employers Need to Exploit the Link Between Wellness Programs and Employee Engagement

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Current economic conditions, along with recent government initiatives, have brought workplace wellness programs into renewed focus. Forward thinking employers have been implementing workplace wellness programs for decades as they acknowledged that employee health problems drove up absenteeism and drove down productivity. Recently, as the cost for providing employees with insurance benefits has skyrocketed, supporting healthy behaviors has assumed particular urgency. At the same time, a decreased workforce means that most employees are handling an increased workload, and have been for several years. Keeping those employees engaged is a critical success factor for employers and workplace wellness programs have a role to play here.

Government initiatives play into the renewed focus on workplace wellness programs. The Occupational Safety and Health Act (OSHA) of 1970 might be considered the “granddaddy” of workplace wellness programs. The Act requires “safe and healthful” work conditions and sets standards for those conditions. Employee training programs were, and continue to be, critical to meeting those standards. Most recently, the Patient Protection and Affordable Care Act (ACA), which became law in

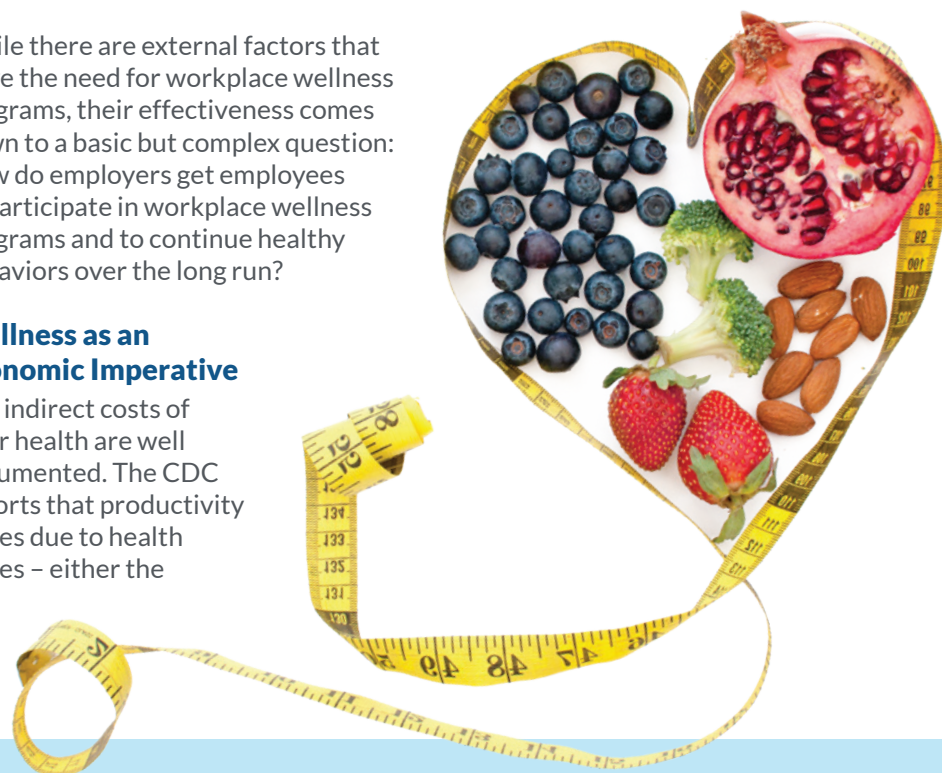
March 2010, emphasizes prevention and includes measures supporting workplace wellness programs. Of particular interest to employers is a provision that raises the cap on incentives for employees reaching certain wellness goals from 20 percent to at least 30 percent of the employee’s total cost of healthcare coverage by 2014. The ACA also established the Prevention and Public Health Fund and among the Fund’s three major prevention provisions is the creation of workplace wellness programs.

While there are external factors that drive the need for workplace wellness programs, their effectiveness comes down to a basic but complex question: How do employers get employees to participate in workplace wellness programs and to continue healthy behaviors over the long run?

Wellness as an Economic Imperative

The indirect costs of poor health are well documented. The CDC reports that productivity losses due to health issues – either the

employee’s or the employee’s family – cost employers \$1,685 per employee per year, a total of \$225.8 billion annually.¹ Overall, the most common chronic diseases – heart disease, cancer, stroke and diabetes – account for “more than 75 percent of the more than \$2.5 trillion spent on annual U.S. medical care costs.”² Moreover, these conditions are often a matter of choice. “Most agree that the greatest potential (for driving down healthcare costs) lies in reducing



the largely preventable conditions and diseases brought on by poor individual health choices” according to a report from The Incentive Research Foundation.³ Yet, less than 5 percent of the annual spend on healthcare is directed toward prevention.

In terms of safety issues affecting health and wellness, according to the Bureau of Labor Statistics there were more than 3 million reported nonfatal illnesses and injuries in private industry in 2011 and 4,609 fatal work-related injuries. Overall, the median number of days away from work for nonfatal injuries and illnesses was eight, a figure was unchanged from the previous year.⁴

Add to this the continuing increase in employee health premiums. Today's economy demands stringent cost containment, yet a 2011 survey by Aon Hewitt projected healthcare premium rates to increase 7 percent in 2012, bringing the average cost for coverage per employee to \$10,475. The report projects the share of premiums paid by employees to rise to 25 percent for employee coverage in 3-5 years, and 32 percent for dependent coverage.⁵ The survey database included more than 1,000 employer-provided health benefit programs, providing coverage to more than 10 million U.S. employees and their dependents. A 2009 report by Hewitt Associates to the Business Roundtable projected a total healthcare cost per employee for large businesses to hit \$28,530 by 2019.⁶ As a result, costs are increasingly shifted to employees and by 2012, employee out-of-pocket costs (for co-payments, co-insurance and deductibles) hit \$5,000 on average.⁷

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At a time when employees are expected to work harder, and possibly earn less, and in an environment where job security is no longer a given, they are now being asked to shoulder an increasing portion of the cost of what was once a “free” benefit, their employer-provided healthcare benefit. It's quite possible that this scenario is a contributing factor to the prevalence of the “underengaged” or “disengaged” employee. A June 2011 report from LeadershipIQ revealed the 69 percent of North American workers said they were “underengaged.” A report (Employee Engagement Report 2011) from BlessingWhite, Inc., showed only 31 percent of employees reporting themselves as “engaged.”

According to findings drawn from the Gallup-Healthways Well-Being Index, “employee engagement is positively correlated with better health.” The survey showed that across the board engaged employees had better health habits. For example, 54 percent of engaged employees reported exercising three or more days a week, versus 45 percent of disengaged employees. This has huge cost implications in terms of lost productivity. Gallup reported in May 2013 that absenteeism due to poor health costs more than \$368 billion in lost productivity.



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Workplace Wellness Programs Hold the Key

It is apparent that at the intersection of these three negative trends, rising healthcare costs for employers and employees, a disengaged workforce, and subpar worker health, effective workplace wellness programs hold potential. Gallup research¹¹ found that engaged employees were 21 percent more likely than disengaged employees to be involved in workplace wellness programs. And the influence of those programs starts even before the employee walks in the door. Eighty-nine percent of surveyed employees reported that the presence of health and wellness benefits

influenced their choice of employer.¹²

The same survey showed that more than 80 percent of employers view health and wellness benefits as a means of reducing healthcare costs. CDC data support this view, reporting that workplace wellness programs using “evidence-based and best practices” return on average \$3 for every dollar spent, over a two- to five-year period.¹³ Health Policy Brief, published by Health Affairs and the Robert Wood Johnson Foundation, noted recently that a meta-analysis of 56 published studies of wellness programs found an overall decrease of “25 percent in sick leave, health plan costs, and workers compensation and disability.”¹⁴

AON Hewitt 2012 Total Rewards Survey, which encompassed 750 organizations, shows that 67 percent of companies surveyed plan to increase their wellness spend. Obviously, employers and employees both consider workplace wellness programs important, but there are questions that need to be answered: What health concerns should those programs address and how? What kinds of incentives should be in place? What determines program effectiveness and how is that measured?

The CDC suggests that a core workplace wellness program includes education and coaching plus support targeting physical activity, nutrition and tobacco use. The majority of workplace wellness programs include a health risk assessment (HRA), which typically looks at blood pressure and cholesterol levels, and lifestyle choices (such as smoking) and medical history. The HRA is often a starting point, setting a baseline

for employee progress toward goals. Smoking cessation programs, weight management programs, discounts at gyms, and classes or referrals to websites supporting sound nutrition, for example, or offering health advice, are typically included in workplace wellness efforts. In more than half of the firms surveyed by Kaiser/HRET Survey of Employer-Sponsored Health Benefits (2011), wellness benefits were also offered to spouses or dependents; in 87 percent of the firms most of the wellness benefits were provided by the firm’s health plan.¹⁵

While programmatic elements are fairly consistent, communications regarding those programs are less

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consistent. Fifty-seven percent of the 772 employers responding to a Workforce Management magazine email survey, which was part of the 2012 National Employee Wellness Month Employer/Employee Survey, said employees had “a good understanding of... (their) health and wellness programs...” However, 58 percent of the 6,756 surveyed employees said they either were not informed or were just “somewhat” informed. At the same time most surveyed employees expressed a high interest in such programs, especially those that included some sort of physical activity, nutrition programs, HRAs and health club memberships.

If this one survey is any indication, employers could see greater program participation, and realize greater host cost savings, if they would beef up communications about those programs.

Social media could also be a powerful tool for program communications and program engagement. More than half of the employees in the Workforce Management survey said that peer-to-peer motivation and support helped them to stay committed to their health improvement efforts, and that sharing progress among peers helped them to remain accountable.¹⁶ Here's where a workplace social media platform that "gamifies" the employee wellness program might significantly increase employee engagement, yet less than 9 percent of organizations in the Workforce Management magazine survey reported having an employee social media program.

The Role of Incentives: The Carrot or the Stick?

Most employees say they are interested in workplace wellness programs. But does interest translate to long-term commitment and provide sufficient motivation to maintain newly acquired healthy habits? Incentives play a strong role in attracting employees to workplace wellness programs in the first place. Forty-one percent of firms surveyed in the Kaiser Foundation study offered "gift cards, travel, merchandise or cash" to employees completing health risk assessments. These kinds of incentives are especially prevalent at companies with 200 or more employees where 27 percent report their use, according to the study.¹⁷

Large companies also are more likely to offer financial incentives to encourage participation. These incentives may take the form of reducing the participating employee's share of the health insurance premium or, if the company has a high-deductible plan

with a savings option, they might offer participating employees a higher contribution. So far less than 2 percent of the firms surveyed by Kaiser drop premium contributions or deductibles for wellness program participants, although 23 percent did offer employees reduced premiums if they completed a health risk assessment. The Affordable Care Act encourages positive incentives by allowing

employers to significantly discount healthcare premiums for employees who attain certain health goals.

Increasingly, however, employers are tying wellness program participation to employee costs for health coverage. Health Policy Brief cited a survey of 600 large U.S. employers in which half reported that within the next three to five years they will be implementing



financial penalties against employees who refuse to participate in wellness programs, usually in the form of a higher premium share for health coverage. This seems a risky strategy if the goal is a long-term behavioral change. An article in American Journal of Health Promotion, "Financial Incentives for Workplace Health Promotion: What is Equitable, What is Sustainable, and What Drives Healthy Behaviors?" posits that financial incentives encourage participation and also serve to reinforce a participant's willingness to continue existing behaviors, but notes that such incentives do not motivate people to adopt new behaviors. The author holds that financial incentives decouple healthy behavior from its intrinsic benefits. In other words, the participant is only in it for the money and when the money goes, so does the motivation.

The previously cited IRF report concluded that the

debate over incentives will likely go on for years but observed, "For most organizations...evidence of ROI in incentives-driven wellness programs will be the determining factor in their use, and the evidence is mounting in favor of the use of incentives – for those using cash and/or non-cash rewards."¹⁸

The IRF report looks at a number of companies, including Johnson & Johnson, which began its first wellness program in 1979. When the company introduced non-cash incentives,

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participation in the program jumped from 25 to 90 percent.¹⁹ The Wellness Month Survey underscored this, finding that 58 percent of surveyed employees said incentives were a "very important" factor in their program participation.

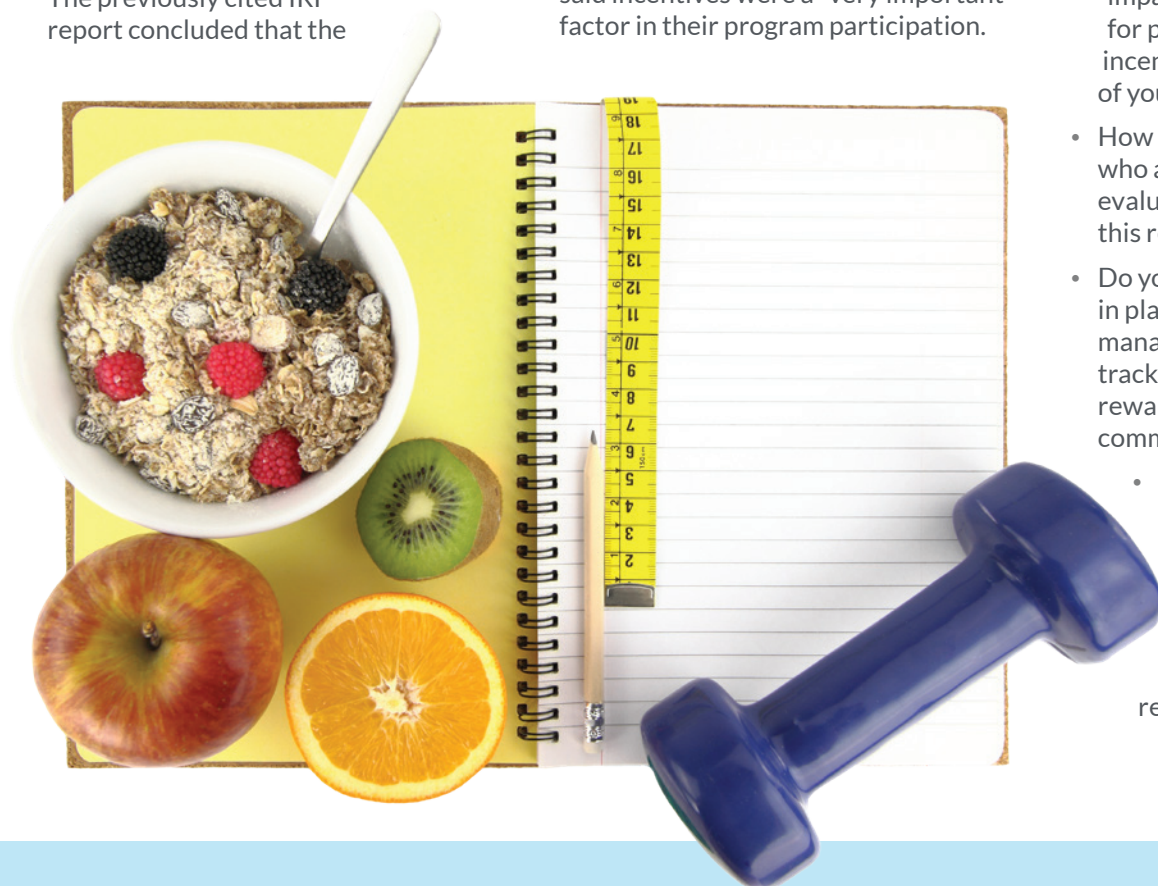
Moreover, 83 percent participated to improve their health, while just 20 percent participated to avoid penalties.

Designing the right cash or non-cash reward is no easy process. The kinds of wellness programs offered, the employee mix, and program objectives – including desired participation and outcomes – influence the incentive mix. Data collection is critical, yet few employers are doing it. Just 36 percent of employers taking part in the Wellness Month Employer/Employee survey reported having the information they needed to maximize their investments in employee health.

What Employers Can Do Now

Employers who already have workplace wellness programs in place would do well to consider several areas for possible improvement:

- What kinds of goals and measures are in place? Does the program measure health outcomes? Does it measure participation rates?
- Are you tracking the impact of your incentives for participation? Do your incentives align with the preferences of your employee base?
- How are you recognizing employees who attain their goals? Have you evaluated employee preferences in this regard?
- Do you have systems or technologies in place that can support program management, from sign-up to tracking progress toward goals, rewards, recognition and ongoing communication?
- How effective are your communications about your wellness program? Are you using every available channel, including social media or mobile technology for delivering rewards and recognition?



- Are you leveraging the power of peer-to-peer motivation?

Workplace wellness programs hold significant untapped potential. The most well-documented lies in the area of cost savings. In a review of 73 published studies, the CDC found an average \$3.50 to \$1 savings-to-cost ratio in reduced absenteeism and healthcare costs. It also found that workplace wellness programs in large companies generated an ROI of \$3.27 to \$1 for medical costs and \$2.73 to \$1 for absenteeism. Although there are few empirical studies of

the relationship between employee engagement and workplace wellness programs, the anecdotal information is strong – so strong that a recent survey of HR professionals showed workplace wellness initiatives to be their number one engagement program.²⁰ Finally, as a result of the Affordable Care Act, employers will be able to increase rewards for employees who meet health status goals. The question then is not whether employers should implement robust workplace wellness programs, but what is holding them back?



¹ www.cdc.gov/workplacehealthpromotion/nhwp, June 2012.

² Ibid.

³ "Energizing Workplace Wellness Programs: The Role of Incentives, Rewards and Recognition," by Allan Schwyer, for the Incentive Research Foundation, July 2011, p. 4.

⁴ Bureau of Labor Statistics news release, November 8, 2012.

⁵ 2011 Health Care Survey: New Paths. New Approaches. Aon Hewitt. P. 15

⁶ Ibid., p. 29

⁷ 2012 Health Care Survey. Better Health. Better Results. Aon Hewitt p. 5.

⁸ Special Report on Employee Engagement Losing Lifeblood, Garry Kranz, workforce.com, July 21, 2011

⁹ Yu, Daniela and Harter, Jim, "In U.S., Engaged Employees Exercise More, Eat Healthier," Gallup, January 16, 2013.

¹⁰ Witters, Dan and Liu, Diana, "In U.S, Poor Health Tied to Big Losses for All Job Types," Gallup, May 7, 2013.

¹¹ Yu and Harter, op. cit.

¹² 2012 National Employee Wellness Month Employer/Employee Survey, April-May 2012.

¹³ Centers for Disease Control and Prevention. "Comprehensive Workplace health Programs to Address Physical Activity, Nutrition, and Tobacco Use in the Workplace," www.cdc.gov/workplacehealthpromotion/nhwp, 2012.

¹⁴ Health Policy Brief: Workplace Wellness Programs, The Robert Wood Johnson Foundation, May 10, 2012, p. 2.

¹⁵ Employer Health Benefits, 2011 Annual Survey, The Kaiser Family Foundation & Health Research and Educational Trust, p. 174.

¹⁶ http://us.virginhealthmiles.com/resources/Documents/SurveySummary_NEWM2012.pdf, June 2012.

¹⁷ Employer Health Benefits, 2011 Annual Survey, The Kaiser Family Foundation & Health Research and Educational Trust, p. 168.

¹⁸ "Energizing Workplace Wellness Programs: The Role of Incentives, Rewards & Recognition," p. 16.

¹⁹ Ibid.

²⁰ Conducted by Marketing Innovators International, Inc., at World at Work total 2012 Rewards Conference and Exhibition, May 2012.