



# Pension & Benefits Daily

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## Strategies for Building a Healthier Workforce



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**E**mployers today face mounting pressure to manage the cost of health care benefits. Many have responded by implementing a variety of programs and tactics designed to curtail costs, including increasing cost-sharing for employees, negotiating more aggressive vendor contracts, and offering new types of plans—such as Consumer Directed Health Plans. Increasingly, employers are turning their focus to wellness programs, based on the belief that improving em-

ployee health will lead to lower long-term health costs. Despite these efforts, health care costs continue to rise at a disturbingly high rate for employers. For example, a recent national employer survey revealed that family premium costs have increased by 9 percent between 2010 and 2011, and by 113 percent since 2001.<sup>1</sup>

While some argue that such increases in health care costs are “to be expected,” corporate leaders increasingly question the sustainability of the current system, particularly given the current difficult economic times. Indeed, with major changes in the employer health insurance market set to take place in 2014, given the Accountable Care Act (ACA), many wonder whether employers will continue offering health benefits. Some believe that prudent employers will simply drop health coverage and leave employees to purchase their own medical policies through the new state-sponsored exchanges. We believe such a “hands-off” strategy could threaten corporate profits, given employers’ intrinsic need to maintain a healthy, productive workforce.

So what can corporate leaders do, assuming they want to continue offering health coverage, while need-

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<sup>1</sup> *Employer Health Benefits 2011 Annual Survey*, Kaiser Family Foundation.

ing to exert more meaningful control over costs? We believe the best response may be to view the health plan as an integral part of a larger program to ensure a healthy, productive workforce, rather than simply an employee benefit offering. This larger program should also include workers' compensation and disability benefits, along with occupational health and safety initiatives, since these all have a direct impact on the health and productivity of the workforce.

This article sets forth a practical approach for employers to reorient their strategy toward building a healthy workforce, rather than simply tweaking components of their health plan, such as wellness offerings or plan design. We begin by outlining the business case for a healthy workforce, drawing upon data which demonstrate the potential impact of implementing the right programs. We then summarize common initiatives seen today in the employer community. We conclude with five key strategies for enhancing current initiatives.

### Establishing the Business Case

An increasing amount of research confirms the link between employee health and corporate profits. Not only do healthier employees generate lower medical costs, they are also less likely to miss work, be more productive on the job, and deliver better service to customers. Consider the following:

- A recent analysis of data from the Johnson and Johnson Family of Companies revealed that its work site wellness program generated a return on investment equal to a range of \$1.88-\$3.92 in health care costs saved for every dollar spent on the program.<sup>2</sup>

- In a 2010 meta-analysis, Harvard University researchers found that medical costs fall by about \$3.27 for every dollar spent on wellness programs and that absenteeism costs fall by about \$2.73 for every dollar spent.<sup>3</sup>

- Researchers at the University of Illinois at Chicago studied data from a large national employer and found that medium and high-risk individuals were 6.2 percent and 12.2 percent less productive than low-risk individuals, respectively.<sup>4</sup>

Despite the growing body of evidence, some corporate leaders remain skeptical on the potential return on investment for employer health initiatives. We maintain that, when programs are designed and executed well, real savings can be achieved. At the same time, poorly designed or executed programs are likely to generate, at best, coincidental savings and, at worst, generate losses. Indeed, there is a great deal of variation in the type and quality of health programs offered by employers. Simply stating that a work site health program will

save money is akin to saying that all personal investments make money.

When establishing the business case for building a healthy workforce, the employer should therefore focus on creating an effective program, noting potential return on investment, rather than trying to defend the general notion that work site health programs will automatically generate savings.

### What Are Employers Doing Today?

Increasingly, employers recognize the importance of keeping employees healthy, rather than simply providing benefits for when they're in need of care. They have responded by implementing a variety of programs to improve the health of their employees. Much of the innovation has come from larger employers, with mid-sized and smaller employers often following suit after ideas have been vetted by their larger peers.

In many cases, employers have shared ideas via health care coalitions, such as regional affiliates of the National Business Coalition on Health (<http://www.nbch.org>) or through organizations like the Wellness Council of America (<http://www.welcoa.org>). Vendors such as health insurers/administrators and specialty wellness vendors, along with employee benefits and safety consultants, have also promulgated strategies for promoting a healthier workforce.

Programs typically implemented by employers include work site wellness and health promotion programs, integrated absence management initiatives and work site safety programs. A Kaiser Family Foundation employer survey noted that all of the following are typical employer initiatives in 2011: weight loss programs, gym membership discounts or on-site exercise facilities, smoking cessation programs, personal health coaching, classes in nutrition or healthy living, web-based resources for healthy living, or a wellness newsletter.<sup>5</sup>

Employers are increasingly offering incentives to drive healthy behavior among employees. These may include reductions in employee contributions, gift cards or free health care-related products and services. The National Business Group on Health released a report earlier this year showing that the majority of large employers use incentives for employees to take health assessments, talk to a health coach, complete a weight management program, refrain from tobacco use, and more.<sup>6</sup>

More survey data on existing employer initiatives will become available in the coming months. The Occupational Safety and Health Administration (OSHA) launched a survey in 2011 of private sector employers on current safety and health practices. When finalized, this survey will document current practices with regard to safety and health management in the workplace.<sup>7</sup> In early 2012, the Maryland Institute for Policy and Analysis and Research, the MidAtlantic Business Group on Health, and RCM&D will publish an extensive survey on healthy workforce programs implemented by employers in the Mid-Atlantic.

<sup>5</sup> Kaiser Family Foundation, *Employer Health Benefits 2011 Annual Survey*.

<sup>6</sup> 16th Annual National Business Group on Health/Towers Watson Employer Survey on Purchasing Value in Health Care.

<sup>7</sup> OSHA National News Release: 11-676-NAT, May 23, 2011.

<sup>2</sup> R. Henke, R. Goetzel, J. McHugh, & F. Isaac, *Recent Experience in Health Promotion at Johnson & Johnson: Lower Health Spending, Strong Return on Investment*, 30(3) *Health Affairs* 490-499 (2011).

<sup>3</sup> K. Baicker, D. Cutler, & Z. Song, *Workplace Wellness Programs Can Generate Savings*, 29(2) *Health Affairs* 304-11 (2010).

<sup>4</sup> W.N. Burton, C.Y. Chen, D.J. Conti, A.B. Schultz, G. Pransky, D.W. Edington, *The Association of Health Risks With On-the-Job Productivity*, 47 *J. Occup. Environ. Med.* 769-777 (2005).

Despite the adoption of a variety of programs designed to improve the health of the workforce, employers remain frustrated by their inability to see meaningful, sustained impact. The good news is, ample opportunities exist for enhancing what has been done to date by employers.

## Enhancing Existing Employer Initiatives

Building a healthier workforce is a continuous, multi-pronged process that requires collaboration among multiple stakeholders. Many employers have taken positive steps, but more can be done. In order to achieve the greatest impact, we believe employers should carefully assess existing programs and look for opportunities to:

1. Better integrate existing health benefits, disability benefits, workers' compensation, and safety strategies.
2. Refine employee incentives to promote optimal health.
3. Explore opportunities to better use technology.
4. Take advantage of available public resources.
5. Determine additional vendor services that can be used.

Success will require a focused commitment from the employer. While outside vendor support is often essential to these programs, the employer must take the initiative to craft a multiyear strategy, bring relevant internal parties into the process, establish expectations for vendors, monitor program success and continually challenge the status quo. Ultimately, the employer will fund the costs and programs as well as reaping the benefits.

### *Better Integrate Existing Benefits, Disability, Workers' Compensation, and Safety Strategies*

Developing an integrated approach will require a cross-functional team including human resources, benefits, safety, and occupational health or risk management professionals with responsibility for strategy development and governance of healthy workforce initiatives. This team can more easily see the broader picture of the health risks within the employee population and break down internal silos. A cross-functional team will be able to put together a more complete picture of the employee health risks by looking at the separate components of medical, workers' compensation, safety, and disability costs and incidences as a continuum. Only then will the employer be capable of developing a comprehensive approach to address all these risks.

As an example, in reviewing the workers' compensation claims, a cross-functional team may identify that falls are a significant cost driver. From there, further questions can be explored by examining health and disability plan data. This could pinpoint whether the falls are environmentally related or a symptom of uncontrolled diabetes in the population.

### *Refine Employee Incentives to Promote Optimal Health*

A growing number of employers use financial incentives to drive employee behavior. In some cases, this is money well spent. Unfortunately, employers too often pour money into programs that reward healthy employees for doing what they would have done already. At the

same time, they may miss the opportunity to help less healthy employees to improve their health.

The Transtheoretical Model (TTM) developed by Carlo DiClemente, Ph.D., et al.,<sup>8</sup> sets forth a process of intentional behavioral change which could be useful to employers who desire a more effective use of incentives. According to this model, behavioral change can be thought of as occurring as a progression through a series of stages:

1. **Precontemplation**—Individuals in the Precontemplation stage are not thinking about or intending to change a problem behavior, or initiate a healthy behavior, in the near future.

2. **Contemplation**—An individual enters the Contemplation stage when he or she becomes aware of a desire to change a particular behavior.

3. **Preparation**—By the time individuals enter the Preparation stage, the pros in favor of attempting to change a problem behavior outweigh the cons, and action is intended in the near future.

4. **Action**—The Action stage marks the beginning of actual change in the criterion behavior, typically within the past six months.

5. **Maintenance**—Individuals are thought to be in the Maintenance stage when they have successfully attained and maintained behavior change for at least six months.

A more thoughtful approach to incentives could involve matching incentives to each stage in the process. For example, rather than simply offering \$50 gift card to employees who attend an intensive exercise program, an employer might offer "mini" rewards to motivate employees to move through the stages required to sustain an effective exercise regimen. In addition to the financial incentives, the employer should consider offering educational resources and one-on-one coaching to help employees move from a state of no exercise (Precontemplation) to the ongoing exercise regimen (Maintenance).

### *Explore Opportunities to Better Use Technology*

If given the right tools, many employees welcome the opportunity to help manage their own health. Studies show that employees have a growing appetite for health and wellness applications which can be accessed via smartphones and handheld devices. PricewaterhouseCoopers' Health Research Institute found that 30 percent of surveyed consumers would like to have an application to track their personal health in their phone. The survey also found that 40 percent of consumers were interested in sending health rate, blood pressure, and other data to their physicians automatically via mobile technology.<sup>9</sup>

A recent clinical study in *Diabetes Care* highlights the potential impact of harnessing handheld technology to improve health outcomes for patients with chronic conditions. Diabetic patients in the study received automated, real-time educational and behavioral messaging

<sup>8</sup> C.C. DiClemente, J.O. Prochaska, and J.C. Norcross, *Transtheoretical Therapy: Toward a More Integrative Model of Change*, 19(3) *Psychotherapy: Theory, Research & Practice* 276-288 (Fall 1982).

<sup>9</sup> Heather Fraser, YangJin Kwon, Margaret Neuer, IBM Global Business Services, Executive Report, *The Future of Connected Health Devices: Liberating the Information Seeker*, <http://public.dhe.ibm.com/common/ssi/ecm/en/gbe03398usen/GBE03398USEN.PDF> (2011).

in response to individually analyzed blood glucose values, diabetes medications, and lifestyle behaviors communicated by mobile phone. Researchers found that the mobile phone-based treatment/behavioral coaching intervention improved glycated hemoglobin by 1.9 percent, compared with 0.7 percent for the control group, over 12 months—a significant difference.<sup>10</sup>

In addition to technologies available to help chronic patients manage their health, there is a growing market for mobile applications and other technologies to help healthy individuals stay well. Both Android and iPhone platforms feature applications to help individuals improve their diet, monitor exercise, and kick unhealthy habits. As an indication of this growing market, one researcher recently noted that smartphone health apps contributed to 10 percent of 10 billion app downloads at the iTunes store.<sup>11</sup>

Savvy employers may wish to explore strategies to help meet this growing demand, both for employees with chronic conditions as well as those who want to maintain good health.

#### *Use Available Public Resources*

Employers often fail to tap free resources available through the community. Organizations like the American Heart Association (<http://www.heart.org>), the American Diabetes Association (<http://www.diabetes.org>) and the American Cancer Society (<http://www.cancer.org/>) offer free or low-cost resources for employers. Educational tools, interactive trackers, and fitness planners are available free on their websites. Local chapters have various programs and speakers available. Community hospitals can also be a great resource for healthy workforce programs (<http://www.aha.org/advocacy-issues/initiatives/hosp-story-index.shtml>).

States and local public health agencies also offer free or low cost resources that can be utilized by employers. For example, Healthiest Maryland Businesses (<http://www.dhnh.state.md.us/healthiest/businesses.html>) is an initiative organized by the Maryland Department of Health & Mental Hygiene to raise awareness about the importance of a healthy workforce, recruit business leaders who will incorporate healthy policies into the workplace, publicly recognize their commitment and success, and provide resources to employers.

Federal government agencies also offer a variety of free resources to employers, including:

- The National Institute for Occupational Safety and Health (NIOSH) sponsors a “Total Worker Health” website as part of its effort to promote the integration of programs designed to protect worker health and safety (<http://www.cdc.gov/niosh/TWH/default.html>). The website provides a variety of free employer resources, including toolkits, calculators, and practical tips for integrating injury prevention and workplace health promotion programs.

- Smokefree.gov is a website created by the Tobacco Control Research Branch of the National Cancer

<sup>10</sup> C. Quinn, M. Shardell, M. Terrin, E. Barr, S. Ballew, and A. Gruber-Baldini, *Cluster-Randomized Trial of a Mobile Phone Personalized Behavioral Intervention for Blood Glucose Control*, 34(9) *Diabetes Care* 1934-1942 (2011).

<sup>11</sup> Mark Lyall, *Healthy Living*, <http://www.knowabouthealth.com/health-apps-pitch-in-10-to-speedy-10-billion-downloads/7664/>.

Institute which provides: a step-by-step quit smoking guide, information about a wide range of topics related to smoking and quitting, LiveHelp - National Cancer Institute’s instant messaging service, National Cancer Institute’s telephone quitline, 1-877-44U-QUIT, local and state telephone quitlines, 1-800-QUIT-NOW, and publications to download, print, or order.

Employer coalitions and networking groups also provide a wide-range of free or low-cost programs for employers. For example, the National Business Coalition on Health (<http://www.nbch.org>) offers:

- eValue8, which is a tool designed to help employers measure and evaluate health insurers/administrators performance in improving the health of their covered members.

- Bridges to Excellence programs recognize and reward clinicians who deliver superior patient care.

- A Purchaser’s Guide to Clinical Preventive Services: Smoking Cessation.

*Determine Additional Vendor Services That Can Be Used*

Unfortunately, employers too often fail to avail themselves of free or low-cost resources available through their health insurer/administrator or other vendors. Health insurers/administrators typically have free resources available on their web portals, including employer materials in addition to tools for employees. These may include nurse advice lines, diabetes education programs, and self-serve webinars. Health insurers/administrators also generally have wellness and health promotion experts who can assist employers in program development, communication programs, and identification of resources.

Employee Assistance Program (EAP) vendors typically will offer webinars or speakers to address health related topics and provide training to managers. Stress management, strategies for change, and managing financial problems are all popular EAP training topics. Pharmacy benefit managers often provide free resources to help increase employee adherence to prescription drug regimens.

## **Practical Advice for Employers**

A properly designed and well executed healthy workforce program can have a very positive impact on an organization’s bottom line. However, having a few wellness or health promotion programs is not enough. If they are to improve productivity, while reducing medical, disability, and workers’ compensation costs, employers must think more holistically about their approach. To achieve optimal results, we recommend that employers carefully assess existing programs and look for opportunities to:

1. Better integrate existing benefits, disability, workers’ compensation and safety strategies.
2. Refine employee incentives to promote optimal health.
3. Explore opportunities to better use technology.
4. Take advantage of available public resources.
5. Determine additional vendor services that can be used.

The employer, not its health insurer/administrator or other vendors, must drive the process. Success will require the employer to craft a multiyear strategy, bring relevant internal parties into the process, establish ex-

pectations for vendors, monitor program success, and continually challenge the status quo. If done right, the benefits will almost always outweigh the costs.