



Wellness Programs - Are They Worth Their Weight?

An overview of Workplace Wellness Programs; their return on investment; and current trends

National Employee Benefits Advisory Forum (NEBAF)

Methodology

The information presented in this paper has been compiled from multiple sources, including thought leadership studies and other material offered by and available on various stakeholder and industry websites.

Sources used are listed at the end.

Executive Summary

Workplace wellness programs present employers with one strategy for counteracting rising health care costs. Yet, over the years employers have not been quick to offer these programs; their rise in popularity has been a slow one. Many employers still seem to be questioning whether or not wellness programs are worth the investment.

This report discusses what wellness programs are, why employers utilize them, and what some of the challenges are.

- Workplace wellness programs can be any number of activities such as flu shots and health fairs offered by employers designed to promote healthy behavior in employees and their families.
- These programs aim to influence employee behavior – educating and motivating them to make healthy lifestyle choices. Healthier employees will in turn help employers lower health care premiums and decrease productivity losses.
- As with anything, wellness programs present challenges:
 - The success of a wellness program is heavily dependent on employees and their behavior. To reap the benefits of a wellness program, employers must achieve employee participation.
 - Measuring the success (or ROI) of these programs is difficult to do accurately and comprehensively.

This report also examines the topic of return on investment of wellness programs.

- Over the past two decades, research has been undertaken on the topic of ROI; most industry literature and research agrees that the typical return on a wellness program is \$3 - \$6 for every \$1 invested, with savings realized 2+ years after implementation.

And, finally, this report presents current marketplace trends.

- The incidence of wellness programs has been growing over the past few decades – slowly but steadily. Not surprisingly, more large employers are offering wellness programs than small employers.

A Healthier State of Mind

First introduced in the mid-1970s, workplace wellness programs grew up as a result of various factors during that decade, such as an increasing cultural interest in fitness, the occupational health and safety movement, the growth and emergence of health promotion groups, and the industrial health care burden.

With the current national healthcare crisis and ever-rising health care costs, workplace wellness programs have become more and more mainstream in recent years as a business strategy to combat escalating healthcare costs.

What are Wellness Programs?

Wikipedia defines a workplace wellness program as a combination of educational, organizational, and environmental activities designed to support behavior conducive to the health of employees in a business and their families. Workplace wellness programs can take many shapes and size. Some examples of elements/activities of such programs include:

- Flu shots
- Wellness newsletters
- Health fairs or nutrition classes
- Cancer screenings
- Weight management programs
- Gym memberships
- Smoking cessation programs

Often employers evaluate the health profile of their employees and design wellness programs based on known diseases and/or characteristics of a certain population.

The Whys Behind Wellness

On the surface, it is fairly obvious that healthier employees will benefit employers (as well as society in general). When employees or their family members become sick, or chronically ill, employers are impacted in many ways, both directly and indirectly. Poor employee health affects a company's bottom line directly through its health care costs. Yet, it also impacts the bottom line indirectly through lower or lost productivity due to absenteeism (missing days of work) and presenteeism (not working or being productive while at work due to poor health, sleep deprivation, etc.). Turnover also becomes a cost if the employee is no longer able to work.

Both health care costs and productivity losses are very costly for employers, particularly during this recent economic downturn. Over the last decade, employer-sponsored health insurance premiums have increased 131 percent, and the average employer-sponsored

Resources for Wellness

Many resources are available and much information exists on the topic of Wellness and Wellness programs. Some of the most popular and widely used websites include:

The National Wellness Institute, Inc.:
www.nationalwellness.org

Partnership for Prevention: www.prevent.org

U.S. Centers for Disease Control and Prevention (CDC): www.cdc.gov

The Wellness Council of America:
www.welcoa.org

Spotlight: IBM's Global Wellness Initiatives

As the company states on its website: "At IBM, we have long understood that investing in prevention and well-being makes sense for both our employees and our business. The company has identified employee health risk reduction and maintenance of low health risk as a key requirement under IBM's Well-being Management System. Wellness and healthy living are considered a company norm and employees are supported in this endeavor through IBM's wellness programs."

The company introduced its reward-based wellness program 5 years ago. Today, the program is very well developed with an extensive portfolio of wellness offerings around the world. The use of technology is important for reaching the global, mobile workforce and also in allowing for customized country-specific programs.

IBM offers employees up to two \$150 payments a year if they complete Internet-based assessments organized around healthy eating, exercise, overall health, and children's health. To earn payments, employees must meet specific requirements such as weight loss, diet change, or attainment of physical fitness goals, with each option.

Examples include: a \$150 rebate available for workers who promise to engage in 30 minutes of physical activity three times a week for 12 weeks; and a \$150 rebate for weight management and nutrition including keeping food diaries to increase consumption of fruits and vegetables.

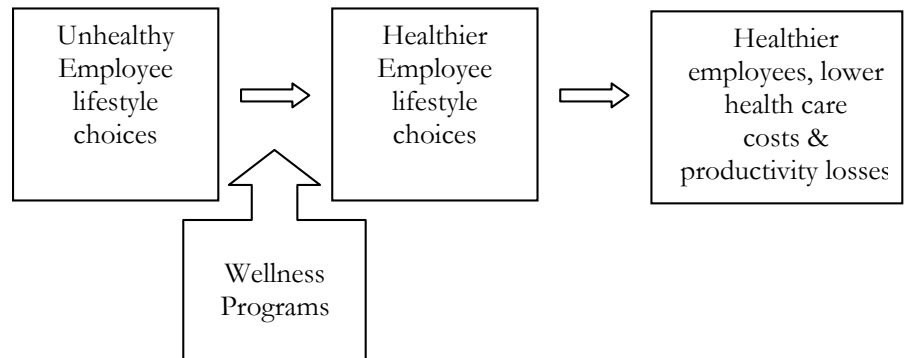
The Whys Behind Wellness (cont.)

premium for a family of four costs close to \$13,400 a year¹. According to the Partnership for Prevention, in 2008, U.S. employers spent nearly \$26 billion per year or \$1,685 per employee per year on productivity losses due to employee and family health problems.

The CDC estimates that more than 75% of employers' health care costs and productivity losses are related to employee lifestyle choices.

Excerpt from *What's Holding You Back: Why Should (or Shouldn't) Employers Invest in Health Promotion Programs for Their Workers?*: "A large body of medical and epidemiological evidence shows the links between common, modifiable, behavioral risk factors and chronic disease. Employees with seven risk factors – tobacco use, high blood pressure, high cholesterol, overweight or obesity, high blood sugar, high stress and physical inactivity – cost employers 228 percent more than those lacking those risk factors."²

Therefore, the logic is if employers can impact employee lifestyle choices, they can impact their company's health care and productivity costs. So, employers are proactively using wellness programs to help employees to be healthier and make healthier lifestyle choices.



The Challenges of Wellness Programs

Two areas present significant challenges for employers when undertaking these programs.

- **Employee participation:** The success of these programs are dependent on factors outside employers' control: employee adoption and maintenance of the healthy behaviors, employees keeping health risks low, employees not getting chronic diseases, and employees not leaving the company. A very important first step in workplace wellness programs is employee participation.

¹ The Henry J. Kaiser Family Foundation. Employee Health Benefits: 2009 Annual Survey. September 2009.

² Goetzel, Ron Z., and Ozminkowski, Ronald J., "What's Holding You Back: Why Should (or Shouldn't) Employers Invest in Health Promotion for Their Workers?" North Carolina Medical Journal, December 2006, p. 429.

The Health Insurance Portability and Accountability Act (HIPAA)

When creating and implementing Wellness programs, employers need to be sure that they fit within a number of legal boundaries; probably the most important of these are the nondiscrimination rules under HIPAA.

Very generally, HIPAA's nondiscrimination rules prohibit:

- 1) group health plans from denying an individual eligibility for benefits based on a health factor, and
- 2) group health plans from charging similarly situated individuals different premiums or contributions or imposing different deductible, co-payment or other cost sharing requirements based on a health factor.

However, there is an exception that allows plans to offer wellness programs (including varying deductibles, co-payments, etc.) if they meet some specific standards and criteria. To help employers navigate these legal waters, the Department of Labor (DOL) provides answers to frequently asked questions as well as a checklist of the rules and restrictions on its website.

The Challenges of Wellness Programs (cont.)

- **Employee participation (cont.):** Will employees participate in the wellness activities and will they take them seriously enough to modify their lifestyle choices? This is a significant challenge facing employers. PricewaterhouseCoopers conducted a recent study of 694 U.S. companies in a wide variety of industries and found that fewer than 40 percent of eligible employees actually enroll in their workplace wellness programs.
- **Measuring ROI:** As mentioned above, since there are both direct costs and indirect costs associated with wellness programs, return on investment (ROI) of such programs can be difficult to accurately and comprehensively measure. Also, every program and level of investment is unique to the employer; participation levels are unique; employee health and health outcomes are also unique. Many employers do not even attempt to measure program ROI. According to Hewitt's 2008 Investing in Health Survey, few employers have programs that include comprehensive reporting and accurate ROI assessment. Without measuring return, a program has no measure for success.

What is the ROI on Wellness?

It's the big question on employers' minds: What is the ROI on workplace wellness programs? While employers realize that wellness programs are socially responsible, many are left wondering – are they worth the cost and/or investment to my organization?

Research has been conducted by various organizations and groups trying to answer exactly this question. It is commonly reported in the marketplace that for each \$1 investment by an employer, a \$3 - \$6 return (in the form of cost savings) is realized 2 - 3 years after implementation.

In 2001, a review of more than 73 published studies found that employers saved an average \$3.50 (due to reduced health care costs and absenteeism) for every \$1 spent on work-based wellness programs.³ In 2003, another literature review that analyzed 42 studies found that worksite wellness programs lead to a more than 25% reduction in absenteeism, health care costs, and disability/workers' compensation claims costs.⁴

These programs, for the most part, are still in their infancy for the mainstream, average employer, and more data and research are still needed on this issue. Yet, with health care costs predicted to continue to rise in the years ahead, these numbers are very encouraging.

³ Aldana S.G., "Financial impact of Health Promotion Programs: A Comprehensive Review of the Literature," American Journal of Health Promotion, 2001: 15(5): 296-230.

⁴ Chapman L. Meta-evaluation of worksite health promotion economic return studies. Art of Health Promotion Newsletter. 2003 Jan/Feb; 6(6): 1-10.

Did you know?

Healthy People 2010 is a national health promotion and disease prevention initiative. The overall objectives of the program are to improve individual health and quality of life and also to eliminate health disparities between segments of the population.

Two of the program's goals are specifically related to workplace wellness programs:

- Increase the proportion of all worksites that offer a comprehensive employee health promotion programs to their employees to 75%.
- Increase the proportion of employees who participate in employer-sponsored promotion activities to 75%.

What do Employees think?

According to the Employee Benefit Research Institute's *2007 Health Confidence Survey*, employees feel favorably about workplace wellness programs. The majority (82%) of employees surveyed report being strongly or somewhat positive about employer sponsored wellness programs overall.

The study results also reported that about three-quarters of employees think employers show concern for their workers when offering wellness programs, but about two-thirds feel employers are only concerned about their bottom line and nearly half say these programs intrude on worker privacy.

Trends Among Employers

Slow & Steady Growth – With Large Employers Leading the Way

Although estimates vary, recent research suggests that workplace wellness programs are becoming more and more common, particularly among larger employers. Workplace wellness programs are growing at a slow but steady rate. Three recent studies report an increasing trend in wellness programs over the past few years:

- *Kaiser/HRET's 2009 Annual Employer Health Benefits Survey* reported that 58% of employers offering health benefits offer at least one wellness program, up from 27% in 2006.
- *MetLife's Seventh Annual Employee Benefits Trends Study 2009* cited that 33% of employers are offering wellness programs, up from 27% in 2005.
- *PricewaterhouseCoopers' 2009 Health & Well-being Touchstone Survey* reported that 71% of employers offer wellness programs, up from 69% in 2008.

It's not surprising to find that large employers are largely driving this trend. All three studies report that more large employers are utilizing wellness programs than small employers are (see the table below). Please note each study defines large employers slightly differently.

Study	% Currently Offering	
	Large Employers	Small Employers
<i>Kaiser/HRET's</i>	93%	57%
<i>MetLife's</i>	61%	13%
<i>PricewaterhouseCoopers'</i>	78%	N/A

The Use of Incentives

Employers often offer incentives - both monetary rewards (e.g. cash bonuses) and non-monetary rewards (e.g. days off from work) - to employees. Incentives can be used to motivate participation in, completion of, and/or enrollment in the program or a certain aspect of the program.

The most commonly used incentives are: gift cards, premium deductions, cash bonuses, merchandise (t-shirts or movie tickets), and gym discounts. Incentive amounts usually range anywhere from \$50 to \$300 per employee.

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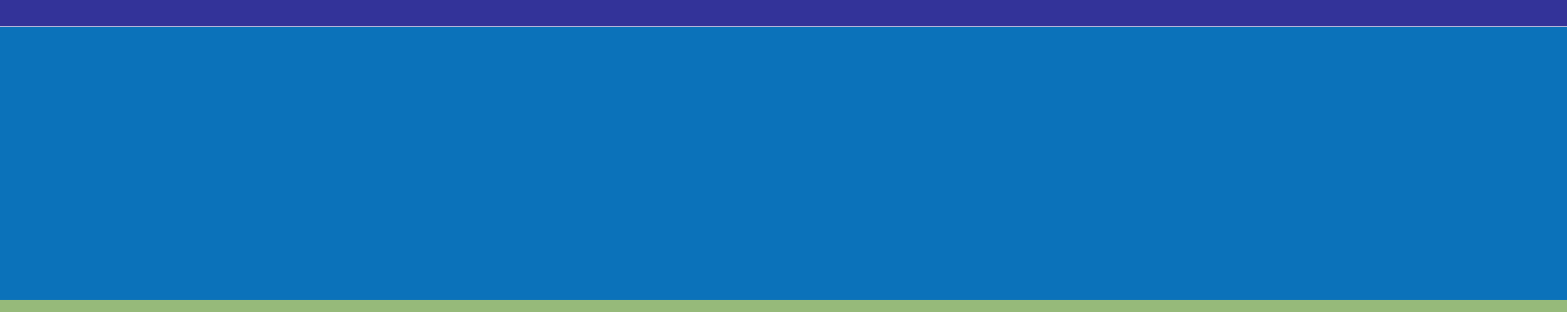
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