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Wellness Can Be a Powerful Business Management Strategy, but It Takes Intelligent Planning and Execution

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Once a cost-containment strategy reserved for only the most forward-thinking employers, today wellness as a business management strategy is entering the mainstream conversation. A fundamental shift is occurring in the way employers understand the concept of employee health and the impact it can have on a company's overall financial health. Whereas employers used to say, "maintaining employee health costs money," now they are saying the opposite. An effective wellness program produces many benefits beyond cutting health insurance costs—as important as that is. Healthier employees are also more productive. Combine lower health care costs with higher productivity and a company gains a real strategic advantage.

CEOs all over the country are realizing that the old way of thinking about employee health does not promote a healthy bottom line. Companies such as Johnson & Johnson, Home Depot, and Land's End, as well as government entities such as the State of Ohio and the Commonwealth of Virginia, recognize that employee health has broader implications to an organization than previously thought.

The new way of thinking requires a shift in perception regarding the utility of employee health. Instead of seeing it as a driver of health insurance costs, employee health management is now viewed as an opportunity to combat the direct costs incurred through providing health benefits as well as the indirect costs associated with lost productivity due to absenteeism, presenteeism (sick workers who come to work and are unproductive), and disability. In fact, these three indirect cost drivers are viewed by experts as having two to three times the price tag to employers as costs that are directly attributable to health care. For example, when Dr. Steve Aldana, PhD, professor of health and human performance at Brigham Young University, conducted a review of 73 comprehensive studies, he found that health-promotion programs can result in a 5.82 to 1.00 return on investment (ROI) when considering only absenteeism versus 3.48 to 1.00 ROI when considering only health care costs.

One study estimates the cost of lost productivity due to personal and family health issues in the U.S. to be $225.8 billion annually. Further exploration reveals that there is a direct relationship between modifiable lifestyle risks and lower productivity. Those same lifestyle risks—obesity, poor nutrition, lack of exercise, smoking, and substance abuse—lead to chronic diseases such as heart disease and diabetes, which are estimated to account for 70 percent of the nation's medical care costs. The takeaway: Behavior impacts costs.

There is ample evidence to suggest that an effective employee-lifestyle modification program on average produces an ROI of $3 to $6 or more in savings per dollar invested when both direct and indirect savings are included. When Citibank implemented a comprehensive wellness program, it recognized an average savings of $4.65 per dollar in medical costs alone over a two-year period. Evidence, therefore, indicates that a wellness program that incorporates targeted solutions for documented problem areas will yield tangible results—and in essence pay for itself.

Not Just for Large Employers

Small and large companies alike can participate in the benefits of a wellness program. While case studies for small and medium-sized companies are not as readily available, high-level studies do suggest that the ROI for small businesses can be the same as that for large ones.

More than 50 percent of the United States workforce works in a small-business setting, so one can imagine the aggregate cost impact if all small businesses engaged in wellness promotion. The steps needed to implement an effective workplace wellness program in a small company mirror those required for a large company. The Wellness Councils of America (WELCOA) have published two guides on this topic, *Implementing Wellness Programs in a Small Business Setting, Guides 1 and 2*. Available on the Web, these guides outline 10 steps a small business should take when implementing a wellness program, with CEO support topping the list, followed by conducting a needs-and-interest survey, offering health screenings, and promoting a physical-activity campaign.

Diagnose Before Treating

Unfortunately, many employers make the mistake of putting the cart before the horse. In an effort to get wellness out to employees as quickly as possible, they neglect to perform the preliminary analysis that is required to give the program direction.

As one expert put it, "You can't manage what you can't measure." An effective wellness program is built upon gathering data, a system for evaluating wellness, identifying risks, setting objectives, and quantifying results. Taking these steps lets employers establish a baseline to work from so that the wellness program can provide the activities, resources, and incentives that will affect behavioral change and achieve the program goals. In the absence of these steps, although the program may succeed in creating good will with employees, it will not succeed in producing any measurable ROI.

Some believe that the correlation between employee health and a healthy bottom line is so strong that organizations engaged in best practices should have a strategy for managing it. Health productivity management (HPM) is the name given to the concept of managing employee health as a business strategy. A key component of HPM is consumer-driven health care, whereby HPM seeks to engage employees more in understanding the true costs of health care through incentives and other engagement measures, such as reduced copayments for certain preventive services or family members, or transparency of health care costs (but not necessarily through increased cost-sharing as with traditional consumer-driven health care (CDHC).

Some insurance carriers like Excellus BCBS out of Syracuse, NY, have caught onto this idea and are designing plan offerings with these types of incentives already incorporated. Other carriers are providing some of the necessary tools and resources, such as online health risk appraisals, to their employer customers at no cost. These tools serve HPM in two capacities: First, they provide aggregate data to the employer to assist with risk assessment; second, they provide individualized data to a disease management program to try to curb the frequency and intensity of future high-cost claims.

There is no shortage of evidence supporting a correlation between employee health and an employer's financial health. A study done at General Motors by the University of Michigan found that medical costs have a clear and measurable inverse relationship to wellness scores as determined by a health risk appraisal. It does not get much more cut and dry than that.

A comprehensive wellness program has the potential to transform an organization as well as affect its bottom line. The key is to ensure the program is well thought out and properly implemented to achieve results. Otherwise, companies may waste valuable time, effort, and resources. Measure first and plan accordingly so that the wellness program will be a model of success. ✪

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