What Employers Are Saying About Wellness And Disease Management

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Mark De Jarnett - Viejas
RIMS Annual Conference, San Diego
April 2008
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Agenda

• Annual Willis Wellness Survey
  – HR Perspective
• Integrated Benefits Institute Research
  – CFO Perspective
• Metrics Including ROI
• Case Studies
Survey Focus

Company Perspective:
• Leadership Commitment
• Employee Understanding Health – Cost
• Rewards / Incentives
• Measuring Success
• Rating their Program
• Participation
• Comparisons
• Satisfaction with Vendors
• Program Cost
• What Makes Wellness Work
Key Findings

Who participated:

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>&lt;500</th>
<th>500 to &lt;1,000</th>
<th>1,000 to &lt;5,000</th>
<th>5,000 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>All respondents (n=424)</td>
<td>51%</td>
<td>16%</td>
<td>22%</td>
<td>11%</td>
</tr>
<tr>
<td>Respondents offering program (n=96)</td>
<td>41%</td>
<td>26%</td>
<td>19%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Key findings:
• Measuring ROI a major concern
• Management supports wellness despite ROI uncertainty
• About one in four offer a wellness program
• About one third plan to do so in the next three years
Implementation Barriers Still Remain

The top three barriers to implementing a wellness program were:

– Budget constraints 61%
– Lack of return on investment statistics 41%
– Lack of support from management 32%
What’s The Return On Investment?

• Measuring return on investment (ROI) continues to be a major concern for employers

• 38% measured the financial results of their wellness programs – an increase from 23% in 2006

• Successful wellness programs report medical claims cost reductions of 4% to over 40%
Committed to improving health

Employees understand health/premium correlation

Link cost to lifestyle behavior

Agree or Strongly Agree (%)
Wellness Programs

- 23% of employers currently offer a wellness program
- 35% plan to offer a wellness program within the next three years
- 25% of respondents rated their program as “above average” or “robust”
- 47% include wellness benefits for spouses
- 31% include wellness benefits for dependent children
“We placed blood pressure cuffs around the facility. Someone came to the nurse and reported a very high number and inquired if that was problematic since they only had one kidney. They were told to go to the doctor immediately. The doctor said that potentially saved the person’s life.”

~ Survey Respondent (South Central/Manufacturing Industry)

“Twenty-five employees went through 12 weeks of Weight Watchers. Collectively they lost over 900 pounds. The company paid for the program up front and payroll deducted the amount from employee’s paycheck per pay period. Great program and support system.”

~ Survey Respondent (Nationwide/Manufacturing Industry)
ROI Is Important But Not Paramount

How Management Evaluates Program Success

- Employee participation: 33%
- Employee satisfaction: 31%
- Improvement in clinical metrics: 27%
- Return on investment: 26%
- Reduced costs for absenteeism, disability, Workers' Compensation: 23%

ROI is important but not paramount.
What Do Wellness Programs Offer?

The most prevalent benefits are:

– Medical screenings (blood tests, blood pressure and body mass index)  83%
– Health risk assessments 79%
– Weight management 77%
– Smoking cessation 76%
– General health web site 66%
– Disease management 62%
– Case management 55%

Dramatic increase in screenings: only 46% in prior survey
What Do Wellness Programs Offer? (Cont.)

Monthly Premium/Cost Discounts for Healthy Behaviors

<table>
<thead>
<tr>
<th>Monthly Premium/Cost</th>
<th>Single Coverage</th>
<th>Family Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$25.00</td>
<td>50%</td>
<td>43%</td>
</tr>
<tr>
<td>$25 to &lt;$50</td>
<td>39%</td>
<td>25%</td>
</tr>
<tr>
<td>$50 to &lt;$75</td>
<td>4%</td>
<td>11%</td>
</tr>
<tr>
<td>$75 or more</td>
<td>7%</td>
<td>21%</td>
</tr>
</tbody>
</table>
The Need To Combat Treatable Chronic Conditions

"Obesity is linked to higher rates of chronic conditions than are smoking, drinking, or poverty."

Increasing Satisfaction With Wellness Vendors

“The nurses that come in to do basic medical screens, flu shots, etc. for us are fabulous!”

~ Survey Respondent (North Central/Manufacturing Industry)
Program Success Relies on Various Factors

Factors for Success

- Management support: 59%
- Strong internal leader championing program: 50%
- Communication: 44%
- Strong partnership with vendors: 40%
- Leadership role by supervisors and coworkers: 38%
- Incentives: 36%
- Return on investment: 27%
II. What CFOs are Saying – Integrated Benefits Institute (IBI) Research

“My CEO asked me recently what we were getting for all the money we’re spending on benefits. I realized I could tell him exactly what our benefits programs cost. But I had no idea what value our business was getting from them.”

-- IBI Employer Board Member
What Is The Value Of A Well Population?

Big picture includes:

– All costs: health, disability, workers’ compensation, absenteeism, presenteeism
– Organization’s image: healthy culture & great place to work
– Impact on morale
– Impact on ability to attract and retain employees
Linking Health, Productivity And The Bottom Line

CFO Survey, IBI, 2002
The Impact Of Ill-health

- 96% Agree to Higher medical
- 90% Agree to Trouble focusing on job
- 86% Agree to More absence
- 84% Agree to Affects bottom line beyond healthcare
- 71% Agree to Adversely affects other benefits costs
- 47% Agree to Need larger workforce

Other IBI Findings

- CFOs aren’t getting information they need to measure productivity
- If they had it, they would use it:
  - Consider against health plan costs
  - Reduce absence
  - Manage all health costs more closely
III. Wellness And Care Management Metrics

Do you want the facts or the truth?
“Facts” Vs. Truth

**“Facts”**
- Participants in Wellness cost PEPY is 20% below cost of those not in Wellness
- Participants in Disease Management programs have huge reductions in claims vs. prior year

**Truth**
- Before they joined Wellness plan, those participants already were low in cost [anti-selection]
- Claims on these members would have decreased a great deal without any intervention [reversion to the mean]
ROI Issues

• What is the Investment?
  – Hard dollars
  – Preventive benefits
  – Soft dollars
  – Rewards

In general, an investment of $100 to $200 PEPY is needed in an effective, comprehensive program.
ROI Issues

• What is the Investment?
  – Hard dollars
  – Preventive benefits
  – Soft dollars
  – Rewards

• What is the Return?
  – Timing
  – Details: Other plan changes, reversion to the mean, anti-selection
  – Scope: Medical + Pharmacy + ?
Return On Investment

• Specific employers (Willis clients and Welcoa.org) who have wellness commitment of 3+ years report tremendous savings (low costs PEPY vs. benchmarks and flatter medical trends)
  – Customized strategy that reflects demographics, turnover, etc.
  – Comprehensive communications/marketing campaign
  – Early identification of at-risk members using screenings
  – Outreach with coaching and significant incentives

• Effectiveness of Disease Management should be high but:
  – Clinical results need to be measured using Evidence Based Medicine Rules and compliance vs. benchmarks, by disease state
  – ROI needs to be verified adjusting for reversion to the mean

• ROI is key to building a business case before an employer commits to Wellness
The Real Problem: The Full Cost Of Employee Poor Health

Medical & Pharmacy Costs
$3,376 PEPY

Health-related Productivity Costs
$10,128 PEPY

Total:
$13,504 PEPY

Medical Care Pharmacy

Productivity costs

Short Term Disability
Long Term Disability
Absenteeism
Presenteeism
Workers Compensation
Overtime
Turnover

Temporary staffing
Administrative costs
Replacement training
Off-site travel for care
Customer satisfaction
Product quality

Top 10 Medical Conditions
By Annual Total (Med/Rx + Productivity) Cost Per 1,000 FTEs

For Four Employers (N=15,380)


$500,000
$400,000
$300,000
$200,000
$100,000
$0

Back/Neck
Depression
Fatigue
Chronic Pain
Sleeping Problem
High Cholesterol
Arthritis
Hypertension
Obesity
Anxiety

Presenteeism
Absenteeism
Drug
Inpatient
Outpatient
How Does This Research Impact Your Organization?

- If wellness is done right, ROI is very high
- The C-Suite will become extremely interested
- Health of total population needs to be addressed - not just those diagnosed with chronic conditions
- Musculoskeletal, depression and fatigue are huge opportunities
  - HRA focus, outreach, early depression screening, specific programs
- Metrics are needed to assess baseline and results
  - Including absenteeism and presenteeism
  - Progress vs. benchmarks
How To Calculate ROI?

Each Extra Risk Is Worth $1,200/Year In Medical Costs

Source: Dee Edington, PhD, Health Management Research Center, University of Michigan
Health Risks Impact Productivity

% of Workplace Productivity Loss

<table>
<thead>
<tr>
<th>Risks</th>
<th>14.7%</th>
<th>20.9%</th>
<th>26.9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2 risks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3-4 risks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5+ risks</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Work Days Lost / Person / Year

<table>
<thead>
<tr>
<th>Risks</th>
<th>STD Days / Year</th>
<th>6.4 Days</th>
<th>9.3 Days</th>
<th>12.6 Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 risks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4+ risks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Burton, et al, JOEM: Vol. 47. No. 8, August, 2005
# Impact Of Health Status On Workers’ Compensation

<table>
<thead>
<tr>
<th>Disease</th>
<th>Injured Group</th>
<th>All Employees</th>
<th>Relative Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anxiety</td>
<td>6.8%</td>
<td>3.1%</td>
<td>2.19</td>
</tr>
<tr>
<td>Arthritis</td>
<td>7.5</td>
<td>4.7</td>
<td>1.60</td>
</tr>
<tr>
<td>Depression</td>
<td>8.3</td>
<td>4.6</td>
<td>1.80</td>
</tr>
<tr>
<td>Hypertension</td>
<td>23.9</td>
<td>17.8</td>
<td>1.34</td>
</tr>
<tr>
<td>Migraine</td>
<td>4.4</td>
<td>1.7</td>
<td>2.59</td>
</tr>
<tr>
<td>Pain</td>
<td>36.0</td>
<td>18.3</td>
<td>1.97</td>
</tr>
<tr>
<td>Any Health Problem</td>
<td>63.6</td>
<td>41.6</td>
<td>1.53</td>
</tr>
</tbody>
</table>

Source: ACOEM/IBI/Matria
How To Calculate ROI

• If no plan change and everyone participates, easy to analyze impact on medical and pharmacy claims
• If you have a data warehouse, possible to do longitudinal studies, by member
• If neither of the above apply, measure reduction in risks to estimate impact on medical, pharmacy claims
  – Be wary of self reported data (smoking, alcohol, etc.) particularly if these drive rewards
• Track disability claims, absenteeism, workers’ compensation
• Track productivity – for most employers, use annual questionnaire to assess presenteeism
## Impact Of Incentives On Participation, ROI, Net Savings

<table>
<thead>
<tr>
<th>Number of Members</th>
<th>Incentive Cost Per Wellness Participant</th>
<th>Year-Round Participation Rate</th>
<th>Annual Gross Savings</th>
<th>Annual Program Administrative Cost</th>
<th>Incentive Cost</th>
<th>Total Annual Cost</th>
<th>ROI</th>
<th>Net Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>250</td>
<td>$100</td>
<td>25%</td>
<td>$36,150</td>
<td>$6,250</td>
<td>$6,250</td>
<td>$12,500</td>
<td>2.89</td>
<td>$23,650</td>
</tr>
<tr>
<td>250</td>
<td>$200</td>
<td>50%</td>
<td>$72,300</td>
<td>$6,250</td>
<td>$25,000</td>
<td>$31,250</td>
<td>2.31</td>
<td>$41,050</td>
</tr>
<tr>
<td>250</td>
<td>$300</td>
<td>75%</td>
<td>$108,450</td>
<td>$6,250</td>
<td>$56,250</td>
<td>$62,500</td>
<td>1.74</td>
<td>$45,950</td>
</tr>
</tbody>
</table>

Higher incentives can drive higher participation and net savings – even though ROI is less.

*Source: based on Matria methodology and assumptions*
### Linking Incentives And Participation In A Broad Wellness Program

<table>
<thead>
<tr>
<th>VALUE</th>
<th>PARTICIPATION RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $50</td>
<td>&lt; 20%</td>
</tr>
<tr>
<td>$50 - $100</td>
<td>15 - 25%</td>
</tr>
<tr>
<td>$100 - $150</td>
<td>20 - 35%</td>
</tr>
<tr>
<td>$150 - $200</td>
<td>25 - 50%</td>
</tr>
<tr>
<td>$200 - $300</td>
<td>40 - 75%</td>
</tr>
<tr>
<td>$300 - $500</td>
<td>50 - 90%</td>
</tr>
</tbody>
</table>

Participation > 70% creates a wellness culture

Source: Matria
Type Of Incentives Drives ROI

• Some rewards lower the ROI:
  – Cash, prizes, deposits to accounts are real money
  – True premium discounts are real money

• Some “rewards” increase the ROI:
  – Premium surcharges on those not in wellness (often these are communicated as “discounts” to those in the wellness plan)

• Some rewards are based on wellness activity:
  – Good evidence as to impact on long term results

• Some rewards are tied to objective, measurable results:
  – Strong link to savings’
IV. Case Studies
Return on Investment In Worksite Health Promotion

<table>
<thead>
<tr>
<th>Study</th>
<th>Medical Costs</th>
<th>Absenteeism</th>
<th>Medical Costs, Absenteeism, &amp; Workers Comp</th>
<th>Medical Costs &amp; Absenteeism</th>
</tr>
</thead>
<tbody>
<tr>
<td>28 Studies¹</td>
<td>$3.93</td>
<td>$5.07</td>
<td>$5.93</td>
<td>$5.81</td>
</tr>
<tr>
<td>18 Studies²</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>42 Studies³</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>56 Studies⁴</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

ROI For Worksite Wellness At Various Companies

- **Northeast Utilities** – The company’s Well Aware Program demonstrated a $1.4 million decrease in behavioral claims, 31% decrease in smoking, 29% decrease in inactivity, 16% decrease in mental health risk, and 11% decrease in cholesterol risk. The Return on Investment was 6:1.\(^1\)

- **Motorola** – Program participants experienced an increase of only 2.4% in health care costs whereas non-participants experienced an 18% increase in health care costs. The Return on Investment was $3.93:1.\(^1\)

- **Union Pacific Railroad** – The company’s wellness program produced a $53 million reduction in health care costs in one year.\(^1\)


ROI For Worksite Wellness At Various Companies (Cont.)

- **Caterpillar** – Participants in the Healthy Balance Program who completed the Health Risk Assessment reduced their doctor visits by 17% and hospital days by 28%.\(^2\)

- **DuPont** – A study involving 45,000 blue collar workers found that absences from non-job related illness decreased 41% at locations where a worksite wellness program was offered compared with a 5.8% decline at 19 sites where it was not. The Return on Investment was $1.42:1 due to reductions in absenteeism.\(^2\)

- **Johnson & Johnson** – The results of a 4 year worksite wellness program involving 18,331 employees demonstrated an overall savings of $8.5 million annually due to reduced health care costs. This amounted to a savings of $225 per employee per year.\(^3\)

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ROI For Worksite Wellness Various Companies (Cont.)

- **Florida Power & Light** – After an employee wellness program, total health care costs were reduced by 35%, workers compensation costs were reduced by 38% per claim, and 82% of employees reported personal health improvements.²

- **Xerox Corporation** – A worksite wellness program revealed a drop in the frequency of workers’ compensation claims and the average cost per injury. 5.6% of wellness participants filed claims with an average cost of $6,506 per injury. 8.9% of non-wellness participants filed claims with an average cost of $9,482 per injury. (University of Michigan Health Management Research Center, 2001)

- **Citibank** – A comprehensive health management program showed a $4.56:1 Return on Investment in reduced total health care costs.³

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ROI For Worksite Wellness Various Companies (Cont.)

- **Washoe County School District** – Wellness program participants averaged 3 fewer missed workdays than those who did not participate in the program. The decrease in absenteeism produced a Return on Investment of $15.60:1. (Preventive Medicine, 2000; 40:131-7)

- **Manufacturing Company** – A 6 year wellness program including 2,596 participants saved $623,040 due to reductions in disability absence days. This resulted in a Return on Investment of $2.30:1. \(^3\)

- **Large Company** – A worksite wellness program compared 13,048 participants who filled out a Health Risk Appraisal with 13,363 non-participants. Overall, the HRA participants cost an average of $212 less on medical costs than on participants. \(^3\)

\(^3\)Journal of Occupational and Environmental Medicine, January 2002.
Summary

If you’ve seen one wellness plan, you’ve seen…. one wellness plan!

ROI varies:

– Plan design matters: eligibility, screenings, type of coaching, consumerism
– Low investment does not mean high return
– High investment does not mean effective
– High participation is a key to culture change, which is critical
– Investment should include vendor charges, preventive costs, soft dollars, incentives
– Turnover is critical: baseline and future
– Impact on absenteeism, presenteeism, other
Summary – What The Future Holds

• Continued medical trend:
  – Unsustainable for most employers and employees unless wellness is embraced
• Rapid growth of wellness plans
• More comprehensive, aggressive approaches
• More emphasis on absenteeism and presenteeism
• Better measurement of clinical, financial and other results
Why Implement A Health & Wellness Program?

- For Viejas that was simple, we wanted to stop 10-15% a year increase in the cost of providing healthcare to our team members
- Our employee base remained consistent around 2100 over the course of 5 years, however the cost of healthcare during that same time period doubled
Specific Programs Implemented

- Telephonic coaching programs for:
  - Weight loss
  - Tobacco cessation program

- Nicotine replacement patches
  - 6 weeks in conjunction with telephonic coaching

- Weight Watchers At Work
Additional Programs Implemented

1. Gym Membership (reduced fees)
2. Free Annual Mammograms
3. Exercise Classes After Work (aerobics)
4. Group Weight Loss Challenge
5. Boot Camp Exercise Challenge
6. Healthier choices in employee cafeteria
7. Healthy Cooking Demos
8. Lunch & Learn Presentations
9. Annual Healthy Lifestyle Expo
10. Newsletter
How Success Is Measured
Our Biggest Looser in 2007, Rommel Peralta

Before

After – 67 pounds lighter
Group Weight Loss Challenge

Coming April 1, 2008
Join a team and embark on our second

Teams must be 5 people
Information and Registration in the TM Dining Room
March 19: 7am-10:30am
March 20: 2pm-4:30pm
First Group Weigh in: April 1
Last Group Weigh in: July 31

Who will be the Next Viejas Biggest Loser?

Rommel Peralta from Finance lost 67 pounds in the last challenge!
How Success Is Measured

• Our first Group Weight Loss Challenge had just over 119 employees start the challenge:
  • 98 lost some weight
  • 22 lost at least 10%
  • 5 lost over 20-29%
• Our current Group Weight Loss Challenge has 96 employees who started the competition on April 1st. So we will start to see the results in May and the first phase ends July 31st.
• In HR we are trying out a Walking Challenge. It started mid March and one of our employees has walked over 500,000 steps. We think that is in the neighborhood of 200-300 miles. This team member is not physically fit.
How Success Is Measured

• Viejas is only 2 years into our program, so we are still working through this to find the most meaningful and tangible outcomes to measure.

• Obviously you want to see a decrease in healthcare claims and we know that will take a few years to impact the bottom line.

• The soft success or the “warm & fuzzy” are the responses and actions from your employees. And those are immediate!
Lessons Learned

• It’s never as easy as it first appears
• There are segments of your employee population that you can’t reach or who are going to be left out, accept that and move on
• Healthy employees need to be targeted as well
• Keep communicating the programs, keep it fresh to keep it going
• Group challenges are a successful avenue for promoting lifestyle changes. They offer competition and group support system
• Pull in other employees to assist with or coordinate different events such as the weight challenge
What Is Next For Wellness?

Some ideas we are tossing around:

• Health Risk Assessment
• On-site yoga class
• On-site support groups (diabetes, etc.)
• Blood pressure chair
• On-site mini walk-in clinic
Questions?

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