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# Workplace Wellness Programs: Are They Part of the Answer to the U.S.'s Growing Healthcare Crisis?

## Abstract

[Excerpt] Of the \$2.8 trillion that the United States has spent on healthcare in recent years, the majority of it (75%) is spent treating chronic disease. Chronic disease is “a long-standing condition that can be controlled but not cured ... It is the leading cause of death and disability in the U.S., which is 1.7 million lives each year.” To make matters worse, chronic disease indicators in the U.S. have been on the increase recently. And, even though chronic disease is commonly thought to be more prevalent among the elderly, in the past 10 years, it has increased by 25% among working-age adults. The cost of chronic disease to the U.S. economy far exceeds the money and resources spent to treat it. In fact, a study by the Milken Institute found that the indirect costs of chronic diseases (such as missed days from work) are higher than the direct costs to treat them. Furthermore, a study by PricewaterhouseCoopers found that these indirect costs are four times higher for individuals with chronic disease than for those without them. Therefore, chronic disease is strongly affecting employers' increasing healthcare expenditure. A joint study by Tower Watson and the National Business Group on Health found that 67% of employers identified employee's poor health habits as one of their top three challenges to maintain affordable health coverage.

## Keywords

HR Review, Human Resources, Wellness Programs, Chronic Disease Management, Affordable Care Act, Healthcare, Employee Engagement

## Disciplines

Benefits and Compensation | Health Communication | Health Policy | Human Resources Management | Insurance | Public Health Education and Promotion

## Comments

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# CORNELL HR REVIEW

## **Workplace Wellness Programs: Are They Part of the Answer to the U.S.'s Growing Healthcare Crisis?**

*Maria Carolina Grillo*

Of the \$2.8 trillion that the United States has spent on healthcare in recent years, the majority of it (75%) is spent treating chronic disease. Chronic disease is “a long-standing condition that can be controlled but not cured... It is the leading cause of death and disability in the U.S., which is 1.7 million lives each year.” To make matters worse, chronic disease indicators in the U.S. have been on the increase recently. And, even though chronic disease is commonly thought to be more prevalent among the elderly, in the past 10 years, it has increased by 25% among working-age adults. The cost of chronic disease to the U.S. economy far exceeds the money and resources spent to treat it. In fact, a study by the Milken Institute found that the indirect costs of chronic diseases (such as missed days from work) are higher than the direct costs to treat them. Furthermore, a study by PricewaterhouseCoopers found that these indirect costs are four times higher for individuals with chronic disease than for those without them. Therefore, chronic disease is strongly affecting employers’ increasing healthcare expenditure. A joint study by Tower Watson and the National Business Group on Health found that 67% of employers identified employee’s poor health habits as one of their top three challenges to maintain affordable health coverage.

Chronic diseases are aggravated by people’s health habits. Just like schools can be an effective avenue to teach children healthier habits - because, second to their home, it is where they spend most of their time - so can workplaces serve as mediums to reach work-age adults and target the onset or aggravation of chronic disease. Employers not only have the advantage of having accessibility to large pools of people with incentives to follow the guidelines the employers set; they also have the power to be able to incentivize employees in ways that are targeted towards certain demographic characteristics. This is an advantage that is far more difficult for a larger and more distanced body such as a state or federal government (or even a health insurer) to attain. For example, an employer whose employee population is largely women in their 20’s and 30’s can craft programs specifically targeted to the co-morbidity health indicators that are common (or that the employer is witnessing) in that demographic group.

This great potential that employers have to affect chronic disease and health in general is why I have decided to explore the following three questions in this paper:

1. What are the different kinds of wellness programs available in the U.S.? Which ones are more popular in the U.S. workplace?
2. What is their impact, in terms of cost savings and improved employee health?

3. What are considered best practices in terms of crafting employee wellness programs and tracking their success?

Lastly, I would like to briefly explore how the Affordable Care Act (ACA) will affect workplace wellness programs. Given length constraints, this paper does not aim to look in deep detail at each of these questions, but rather seeks to acquire a general understanding of each topic.

### **Basic Facts About, and Availability of, Workplace Wellness Programs in the U.S.**

Although there is no formally accepted universal definition for “workplace health and wellness programs,” there are three broad types of activities that are considered to be wellness programs: (1) Those that use screenings to identify health risks, such as health risk assessments and biometric screenings. (2) Those that intervene in the primary and secondary stages of disease either to prevent the onset of chronic conditions or to improve the control of those conditions, respectively. These are usually referred to as lifestyle and disease management programs. A few examples are weight reduction counseling (primary prevention) and disease management programs (secondary prevention). (3) Lastly, there are those that promote health activities, such as vouchers to join a gym, flex time for physical activity, or creating contextual changes, such as making stairs accessible, installing bike racks, or eliminating smoking break rooms. Apart from these three main types of wellness programs there are other healthcare benefits often provided by employers in the workplace, such as employee assistance programs, occupational health services, on-site clinics, and absenteeism management programs.

The most recent comprehensive study of workplace wellness programs in the U.S. was conducted by the RAND Corporation in 2013 in an effort funded by the Department of Health and Human Services and the Department of Labor. It found that about 51% of all U.S. employers with more than 50 employees offer some kind of wellness program, and that the larger the employer the more likely it is to have a wellness program. Some reasons for this occurrence are that larger employers have more resources to craft and implement these efforts, more people to participate in them, and higher ability to collect data in order to rationalize the investment. To provide a comparison, about 39% of employers with 50-100 employees have some kind of wellness program, and about 91% of employers with more than 50,000 employees offer a wellness program.

As far as the kind of wellness programs that are most popular in the U.S. workplace, the RAND study found that lifestyle and disease management programs are the most prevalent (77%), and those that make contextual changes to the workplace are the least prevalent (22%). It is interesting to note that the study found no significant differences in the regional distribution of wellness programs or how they are distributed among different types of industries (e.g. heavy industry, trade, services, government, etc.). A positive takeaway from exploring the availability of workplace wellness programs in the U.S. is that because large employers encompass a larger share of the workforce, even though only 51% of employers in the U.S. with more than 50 employees offer some kind of wellness program, about 79% of employees working for an employer with more than 50 employees have access to a wellness program. This is a positive finding because it

means that large employers (>50 employees) somehow see the benefit of wellness programs.

Another important finding of the RAND study pertains to lifestyle management programs, which, as explained above, are the kinds of programs that are most widely offered by large employers. Of these lifestyle management programs the most widely offered are those pertaining to weight and nutrition, smoking, and fitness. Employee participation on these programs, however, does not look quite as positive as the program availability rates. The RAND study found that, on average, for those employees identified for inclusion in select wellness programs components only the following percent participated in each: 21% participated in fitness programs, 7% participated in smoking cessation programs, 11% participated in weight management programs, and 16% participated in disease management programs. It is also important to note that even though average fitness program uptake was reported to be 21%, half of employers reported lower than a 10% participation rate.

How can we interpret these findings? It seems that a good number of large employers are offering some kind of wellness program, which shows willingness and open-mindedness about this from the employers' side. On the other hand, it seems that employees are not participating in these programs as much as they could and should, which makes calculating their effectiveness very difficult. This topic of measuring effectiveness and cost savings will be discussed in a section below, but needless to say, this is the reason why there is very little evidence for wellness program effectiveness and significant return on investment (ROI). These findings also beg the question of why are employees not participating in larger numbers and how can they be incentivized to do so. This is an important question for further study.

### **Effects on Healthcare Costs: Is it Worth the Investment?**

With regards to the question of whether workplace wellness programs are a good investment for employers in helping them reduce healthcare costs, the results seem to be somewhat mixed. There are various studies that have been done on individual employers that demonstrate positive ROI from workplace wellness programs. The results about U.S. employers as an aggregate, however, are weak at best, and are telling of most employers' failure to actually go through the process of calculating the ROI on their wellness programs, although they show a general sentiment that their programs are great for employees.

Several recent (2010) studies about individual employers tout wellness programs' cost benefits. The Harvard Business Review article "What's the Hard Return on Employee Wellness Programs?" summarizes a few of them: At Johnson & Johnson, for example, employee wellness has been a priority since the early 1990. In fact, "J&J's leaders estimate that wellness programs have cumulatively saved the company \$250 million on health care costs over the past decade; from 2002 to 2008, the return was \$2.71 for every dollar spent."

Another study by Doctor Richard Milani and Carl Lavie demonstrated \$6 in savings for every dollar invested in wellness interventions at a single employer. They studied a random sample of 185 employees (and their families) at a single employer who, as part of the wellness program, received cardiac rehabilitation and exercise training from an expert team. Of those classified as high risk (measured by blood pressure, body fat, and anxiety) when the study started, 57% were converted to low-risk after six months, when the program ended. Medical claims from these participants declined by \$1,421 per participant in a year. A control group did not show such improvement.

MD Anderson Cancer Center has also found significant gains from its wellness program. In 2001 it created a worker's compensation and injury care unit staffed by a physician and nurse case manager. "Within 6 years, lost work days declined by 80% and modified duty days by 64%. Cost savings, calculated by multiplying the reduction in lost work days by the average pay rates, totaled \$1.5 million; workers comp insurance premiums declined by 50%."

Wellness programs have also proven effective cost savers in curbing attrition levels. A study by Towers Watson and the National Business Group on Health found that "organizations with highly effective wellness programs report significantly lower voluntary attrition than do those whose programs have low effectiveness (9% vs. 15%)." SAS Institute and the Biltmore Tourism Enterprise have found similar benefits. SAS contributes its low 4% turnover rate, in part, to its wellness efforts. Biltmore attributes much of its decline in attrition from 19% in 2005 to 9% in 2009 to its wellness programs. The supermarket chain H-E-B found that "annual health care claims are about \$1,500 higher among non-participants in its workplace wellness programs than among participants with high-risk health status." It estimates that moving 10% of employees from high-and medium- to low-risk status can yield an ROI of 6:1.

Lastly, one of the most recent studies to date (2013) evaluated the results of Geisinger Health Service's (GHS) employee health and wellness program, called "My Health Rewards" (MHR). MHR is administered through Geisinger Health Plan (GHP). GHP is a full service regional health insurer that is a subsidiary of GHS. GHS is an integrated health system located in eastern Pennsylvania. The study evaluated the impact of MHR on health outcomes (stroke and myocardia infraction) and cost of care. It did this by comparing a cohort of GHP members who were GHS employees with a comparison group consisting of GHP members who were not GHS employees. Non GHS employees do not have the option to join the MHR wellness program. The study period was from 2007 – 2011. MHR included a wellness group, a health risk assessment, medications for hypertension, high cholesterol, and diabetes with \$0 copay to the employee, and structured disease management programs coupled with financial incentives to participate. The results were that "the GHS employee cohort experienced a stroke or myocardial infraction later than the non-GHS employees. There was also a 10% - 13% cost reduction during the second a third years of the program, and the cumulative ROI was approximately 1.6."

Even though several studies like the ones described above tout the cost-saving capacity of their wellness programs, RAND did not find such conclusive findings at a more aggregate level. However, even the RAND study found that the general sentiment among employers is that their wellness programs are producing savings and increased employee engagement, even in the absence of data that measures these suppositions. The RAND study states that “employers view the impact of their wellness programs overwhelmingly as positive. More than 60% stated that their program reduced healthcare cost, and around four-fifth that it decreased absenteeism and increased productivity. But only 44% of employers reported regularly evaluating their wellness programs, and only 2% provided actual savings estimates.” A case study provided by RAND warns against this uninformed positivism. After evaluating a particular employer’s fitness program, which provides paid leave time for fitness activities for up to 3 hours a week, it found that every 20 hours of fitness leave yielded only one hour increase in absenteeism. Although this is a valid argument, these findings are also somewhat weak, in my opinion, given that one cannot judge the effectiveness of a fitness program solely on its effects on absenteeism measures. Other factors such as turnover, employees’ BMI and other health measures, reduction in chronic disease, etc. should be considered as well given that all of these factors affect ROI.

All in all, the evidence about wellness programs’ capacity to create cost savings seems to be more positive than negative. What the research seems to say, however, is that employers need to get better at measuring the impact of their wellness initiatives. The RAND study states that they are probably not doing so because of lack of access to data, limited capabilities, and methodological questions. My findings suggest that an intervention (by government, academics, civil society, etc.) that could prove helpful in advancing the case for workplace wellness programs, is to educate and help employers figure out the impact of their programs and how to successfully craft and implement them.

### **Best Practices in Crafting Workplace Wellness Programs and Tracking their Results**

Given the positive evidence provided by single-employer studies, it is imperative that we examine what is working and make it available for employers who seek to implement wellness initiatives that can attain measurable results. After examining existing literature on the topic and studying 10 organizations in different industries whose wellness programs have yielded measurable results, Berry et al. found “six essential pillars of a successful, strategically integrated wellness program, regardless of an organization’s size.”

(1) Leadership Engagement: Leaders across all levels need to be engaged, lead through personal example, and actively encourage workers to participate in wellness initiatives. “Some companies even ask managers to adopt a personal health goal as one of their unit’s business goals.” Having specialized people that engage experts and are champions of wellness in their organization is also highly effective in sustaining momentum.

(2) Alignment and positive incentives: Having a long-term wellness strategy in which communication is emphasized to ensure employees understand their wellness benefits and how they affect the company's bottom line and the employees' individual health. Managers should also seek to make wellness as much part of the organization's culture as anything else. In monthly meetings, for example, the wellness team could report on current wellness activities and resources. In regards to incentives, both RAND and Berry et al. found that organizations that showed success used positive incentives because "employees lose trust when they feel they're being forced to act against their wishes."

(3) Scope, relevance, and quality: Wellness is not only about healthy eating and exercise. Mental health problems such as depression and stress should also be targeted by wellness programs. Having quality programs and individualizing efforts towards your employee population is also key. Many employers are able to target their wellness investments towards their employees' particular needs by conducting health risk assessments (HRAs). Johnson & Johnson, for example, achieved an HRA participation rate of over 80% by reducing employee yearly premiums by \$500 if they complete an HRA and receive the recommended health counseling.

(4) Accessibility: Convenience matters and coming up with innovative ways to make wellness available to employees has proven successful. Chevron, for example, holds daily "stretch breaks;" while Biltmore goes as far as holding two-day health fairs twice a year.

(5) Partnerships: creating both internal and external partnerships is important. For example, the wellness team can partner with the finance division to calculate the cost-effectiveness of various programs. On the other hand, American Express partners with the University of Michigan to process wellness data and metrics and maintain employee confidentiality.

(6) Communications: There are many challenges when it comes to motivating people participate in non-mandatory programs about their health, such as individual apathy, sensitivity about personal health issues, and the geographic, demographic, and cultural heterogeneity of an employee population. That is why communication about wellness initiatives must be diversified and constant. E-mails, messages on intra-net portals, text message reminders, flyers, stickers, magnets, "Fresh Fruit Fridays" programs, etc., are all used in different ways by employers with successful wellness programs. The goal is to make wellness part of the organizational culture. At Healthwise, Dr. Martin Gabica says that "Wellness is a viral thing. When I meet with a new employee, I say, 'Let's go for a walking meeting.'"

And how do these employers track and measure wellness results? Here is where analyzing employee data becomes important. A 2012 study co-authored by the Integrated Business Institute (IBI) identified 10 key metrics "for employers to manage population health and productivity:" (1) Leading indicators: health risks, biometric screenings, and chronic condition prevalence. (2) Care indicators: preventive care, program participation, employee engagement, and health care use. (3) Lagging indicators: expenditures, lost time from work, and lost productivity.

Studying what works and what doesn't and sharing best practices is important given that although 51% of large employers offer some kind of wellness programs, many are not seeing measurable results. With the use of these metrics American Express was able to link call center customer service scores to employees' HRA scores. They found that employees with good health receive higher customer service scores than those with poor health. Being able to find these kinds of connections between employee health and business productivity would be a fantastic incentive for employers to continue to invest in employee health and wellness.

### **ACA Effects on Workplace Wellness Programs**

The ACA recognizes the importance of workplace wellness initiatives. It establishes a technical assistance role for the Center for Disease Control and Prevention (CDC) to provide tools and resources to assist employers with planning, implementing, and evaluating wellness programs. Furthermore, it allocates funding through the Department of Health and Human Services (DHHS) to award \$10 million from the ACA's Prevention and Public Health Fund to organizations that have expertise in working with employers to develop and increase workplace wellness initiatives. The ACA also amends Section 2705(j)(3) of the Public Health Service Act in order to raise the limits on the rewards that employers offer, through their group health plans, for participating in wellness programs. This means that the ACA gives employers greater latitude in rewarding group health plan participants and beneficiaries for healthy lifestyles. The current reward limit, for example, of 20% of the cost of coverage will increase to 30%. Reward examples are things such as premium discounts, waivers of cost-sharing requirements, and improved benefits. Lastly, the ACA includes preventive and wellness services and chronic disease management in its list of essential health benefits that certain health plans will need to offer as of 2014.

The advent of public and private healthcare exchanges created after the ACA may also affect workplace wellness benefits for many if organizations decide to go this route. According to the "2013 Health Care Changes Ahead: Employers' Actions Today and Plans for the Future" survey report by Towers Watson, however, it does not look like this will be a prevalent trend in the near future. The study states that:

In spite of transformative change and mounting cost pressures, employers continue to believe health care benefits remain an important part of their employee value proposition (EVP). Eight in 10 say they are important this year. As a result, the opinion of the public exchanges in 2014 is leading very few to make any changes right now to their EVP (only 10%) or total rewards mix (13%) for active full-time employees.

This, again, is an encouraging finding given the important role employers can make in making a dent in the U.S.'s current health care crisis.

## Conclusion

The discussion about workplace wellness initiatives as well as the findings about availability, impact, best practices, and ACA impact on workplace wellness programs presented in this paper is significant for individual employers and employee engagement and productivity, as well as for the national and global discussion on global health. Chronic disease is not only a leading cause of death in the U.S., but also around the world. According to the WHO “chronic diseases, such as heart disease, stroke, cancer, chronic respiratory diseases and diabetes, are by far the leading cause of mortality in the world, representing 60% of all deaths.” Finding ways to curb them at a smaller scale, such as through workplace health and wellness programs, could perhaps prove helpful in addressing chronic disease at a larger scale around the world.

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