

The Business of Wellness



WHITE PAPER:

The Business of Workplace Wellness

Reliable, knowledgeable employees that are engaged and productive are essential to the success of any business - large or small. Changing and uncertain global conditions add another dimension of concern for businesses to remain viable and profitable. A shifting socio-demographic profile, as well as expectations, presents both opportunities and challenges for all employers as they continue to provide goods and services in a cost effective way while maintaining profitability and credibility.

Competition for labour is already a major concern in many parts of the world as a result of a shrinking pool of knowledgeable workers. And, an aging population is adding to the worrying dynamics of a looming global labour shortage over the next few years. The most talented workers will be sought after and will not necessarily go to the highest bidder.

Further, the prevalence of chronic diseases has been described as a global public health crisis. Quality workplace wellness programs aimed at reducing modifiable health risks are necessary to help decrease the prevalence of chronic disease and the subsequent economic burden to employers.

There is compelling evidence that a sizeable portion of the billions of dollars currently spent by employers on health-related costs is manageable by means of Comprehensive Workplace Wellness. Business leaders internationally realize that comprehensive workplace wellness programs have shown:

- Linkages to improved customer service and business competitiveness
- Greater productivity and loyalty to their employers
- Lower health care costs
- Lower turnover in staff
- Improved profitability

These benefits have been confirmed through extensive research and show beyond a doubt: **good health is good business.**

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Benefits of Comprehensive Workplace Wellness¹

BENEFITS OF COMPREHENSIVE WORKPLACE WELLNESS PROGRAMS
Productivity
Reduced absenteeism
Reduced distractions
Improved performance
Improved skills
Cost Reduction
Reduced workplace accidents & injuries
Reduced compensation claims
Reduced benefits costs
Recruitment and Retention
Improved retention rates
Improved employee engagement
Profit
Reduced turnover costs
Improved customer service & retention
Improved recruitment competitiveness

Source: The Conference Board of Canada.

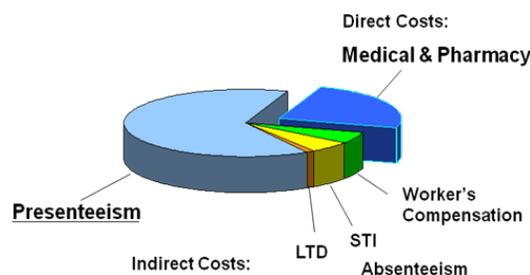
Employees with lower health risk profiles have lower medical costs, greater energy and vitality and increased life and job satisfaction.

Many businesses have recognized the value of investing in employee wellness as part of a comprehensive workplace wellness program. Companies in Canada and the U.S. have reported substantial returns on investment (ROI). Organizations such as the Canada Life Insurance Company, Dupont, The Canadian Government, Prudential Insurance, and Citibank reported positive ROI in the range of \$2.00 to \$6.85 savings for each \$1.00 invested. Research indicates that a ROI of \$3.00 to \$15.00 per \$1.00 invested is achievable within the first 12 to 18 months. Our research has demonstrated that an increase of as little as 1 health risk factor can result in excess costs of hundreds of dollars per employee. Other benefits from implementing workplace wellness programs have also been noticed. For example, BC Hydro observed rates lower than the national average in terms of absenteeism and turnover; a fitness program at Canada Life Assurance resulted in a turnover rate of 32% lower than the national average; and, Toronto Municipal workers missed 3.35 fewer days within the first six months of their wellness programs.

Investing in wellness programs has also been shown to improve an organizations' ability to attract and retain qualified personnel, enabling employers to be viewed as an employer of choice.

Costs of Poor Health

The total costs of programs aimed at the health, safety and well-being of employees are not always clear to many employers. However, this costing is essential for determining the relevance, value, and potential return on investment for comprehensive workplace wellness programs. Several years of research has made determining the proportion of these costs to an average employer possible. The costs of poor health are depicted in **Figure 1** below.



Adapted from: Edington, Burton. A Practical Approach to Occupational and Environmental Medicine (McCunney). 140-152. 2003

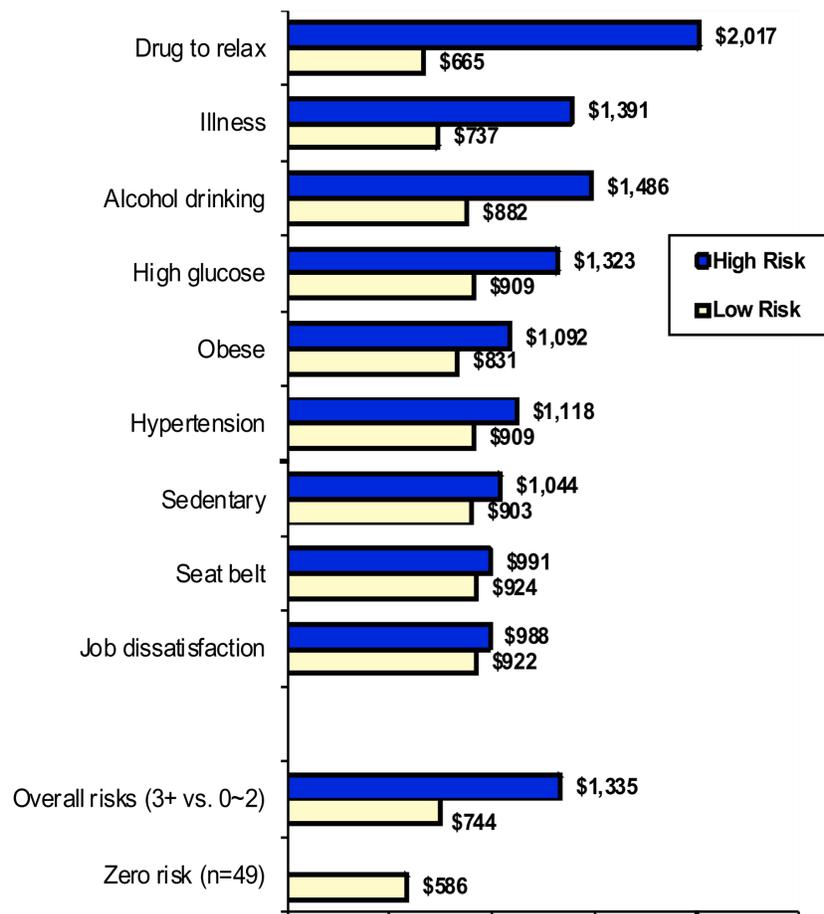
Figure 1

¹Comprehensive Workplace Wellness. <http://www.wellnessolutions.ca/white-papers/>

Research shows direct costs (medical and pharmacy) of poor health are approximately one quarter of total costs. However, as illustrated in **Figure 1**, indirect costs such as absenteeism and presenteeism make up a significantly larger proportion of total employer health costs. Indeed, presenteeism has been shown to be as much as 75% of the total cost of ill health. Over 50% of North Americans are overweight or obese, and similar rates of overweight and obesity have been observed in other developed nations. This is largely a result of poor eating habits and lack of physical activity. Obesity is now considered one of the greatest global health concerns and is strongly linked to diabetes and heart disease. Alcohol and smoking also contribute to both health problems and reduced productivity at work.

There has been considerable research that shows the relative costs associated with various health risk factors. **Figure 2**, based on our Healthy LifeWorks Study² - a 4-year comprehensive workplace wellness program in a large Canadian employer - shows that employees with risks are more costly regardless of what health measure. Taking a drug to relax, and increased glucose levels, obesity, and high blood pressure for example, demonstrate the significant difference in costs associated with high and low risk employees. In short, employers pay more for unhealthy employees. High risk employees incur high costs whatever the outcome measure: pharmaceutical, absenteeism, or productivity.

Figure 2: Drug Costs by Risk Status at Different Time Intervals



²Makrides et al. (2011) The Healthy LifeWorks Project A Pilot Study of the Economic Analysis of a Comprehensive Workplace Wellness Program in a Canadian Government Department. *Journal of Occupational and Environmental Medicine*, 53(7), 799-805.

Furthermore, health-related costs increase with the number of health risks experienced by an employee. The natural trend is for health costs to increase over time, as employees get older. The following table (**Table 1**), from an intensive scientific review, demonstrates that increases in the number of health risks result in excess percentage of work loss days, productivity loss and an increase in health claims. The more employees you have with high numbers of risk factors, the greater the cost of health care claims, absenteeism, and loss of productivity will be. While employees with 1 health risk are absent on average 0.6 days per year, employees with 6 or more risks are absent over three times as much on average. Employees with 1 health risk display a 2% loss in productivity, while employees with 3 risks show a 7.5% loss and employees with 6 or more risks display losses of over 14.5%. Similarly, health claims rise as costs increase. A person with 6 or more health risks costs more than three times as much as a person with no risks. In fact, reducing just one health risk increases an individual's productivity on the job by 9% and reduces absenteeism by 2%.³

Table 1: Productivity, Absenteeism and Health Claims relationship with number of risk factors (Burton et al., 2005, WellSource, 2006 & University of Michigan, 2006)³.

Number of Risks	Excess Absenteeism days (%)	Excess Productivity Loss (%)	Increased Health Claims Cost (%)
0 Risks	0	0	0
1 Risk	0.6	1.9	31.7
2 Risks	1.2	4.4	66.7
3 Risks	1.9	7.5	103.2
4 risks	2.2	9.1	149.8
5 Risks	2.5	13	195.6
6+ Risks	3.1+	14.5+	252.0+

It is clear that employers pay more for unhealthy employees.⁴ This fact, coupled with the natural tendency of individuals to flow from low risk to high risk over time, further emphasizes the gap between costs associated with low and high risk employees. Therefore, intervening while individuals are still at low risk mitigates the increase in costs that occur as those individuals move to high risk categories. In a healthy company the largest proportion of employees have either 0 or 1 risk factor, indicating lower overall costs for the employer. Unfortunately, research shows that too often the largest proportion of employees have 2 to 3 risk factors, resulting in a higher cost for employers. Our 5-year study on the prevalence of modifiable health risk factors in over 6, 000 Atlantic Canadian employees, in 51 workplaces,

³Pelletier, K. (2005) A review and analysis of the clinical and cost-effectiveness studies of comprehensive health promotion and disease management programs at the worksite: Update VI 2000-2004. *Journal of Occupational and Environmental Medicine*, 47(10), 1051-1058.

⁴Burton, W., Chen, C., et al. The Association of Health Risk with On-the-Job Productivity, *Journal of Occupational and Environmental Medicine*, 47:796-777, Aug. 2005.

revealed the following⁵:

- 70% Overweight (BMI > 25)
- 31% Obese (BMI > 30)
- 49% Inactive (less than 20-30 minutes of activity 3-5 times per week)
- 38% High Cholesterol
- 20% Smokers
- 16% High Blood Pressure

Stopping individuals with 0-2 risk factors from developing 3 or more risk factors can reduce employer expenditures on health care costs and economic losses as employees with fewer risk factors are more productive and miss less time. **An effective workplace wellness strategy is to stop the migration of people to higher risk and keep low risk people at low risk.** As previously demonstrated, having the majority of employees in low risk categories cost the organization significantly less in terms of health care costs and results in a more productive and engaged workforce. The fact that employer costs increase as people age regardless of their health risk, further supports the need to invest in workplace wellness. If left to the status quo, employers will be faced with the problem of people aging as well as becoming unhealthier.

Figure 3: Relationship between Health Costs and Wellness Score (Yen et al., 2005)⁶



Research has shown that there is an inverse relationship between health care costs and employees' wellness scores thus the higher the wellness score is, the lower the health care costs (**Figure 3**). Furthermore, increasing an employee's wellness score by only a few points reduces annual medical costs. And employees with higher wellness scores also have less absenteeism and are more productive in their jobs.

⁵Makrides, L., Sawatzky C., Petrie, J. and Veinot, P. "Modifiable health risks in Atlantic Canadian employees: a 5-year report." *Health Promotion International* (2010). <http://heapro.oxfordjournals.org/cgi/reprint/daq042?ijkey=ve8UqI9rz91NhRq&keytype=ref>

⁶Yen L.T., Edington D.W., Witting P. (2001). Associations Between Health Risk Appraisal Scores and Employee Medical Claims Costs in a Manufacturing Company. *American Journal of Health Promotion*, 6,1.

Investment in workplace wellness is essential because the current strategy for dealing with health is unsustainable. Waiting for people to get sick and then treating them is not only a disservice to employees, but manifests itself in increasing insurance costs for employers. *Keeping healthy people healthy is a strategic target for investment as interventions that focus on prevention address health risks while they are still modifiable.*

A Winning Strategy

Start by knowing your numbers - both as an organization and for individuals within the organization (See **Appendix A**). A high level of employee engagement and a wellness strategy of keeping healthy people healthy and stopping or mitigating the movement of people to higher risk, will reduce, or even reverse, the trend of rising costs.

Comprehensive Workplace Wellness programs are designed to create winners, with targets set low initially and increasing gradually. The first step is not to get worse and then creating winners one step at a time.⁷ Setting up a “no fail” environment will engage and motivate employees and substantially improve the individual and overall health of an organization. Empowering organizations to take control of their wellness initiatives by training them on how to self-administer and self-monitor their wellness interventions is a cost-effective approach.⁸

The use of a Health Risk Assessment (HRA) tool to determine the health needs of an organization is the essential first step in implementing comprehensive workplace wellness. It is used to benchmark and determine what health issues need to be addressed. A HRA will determine employee risk status as well as inform customized interventions. Employees who participate in an annual HRA have annual cost increases of 4.2% while employees who never participated or took HRA only once have annual increases of 12.6%.⁹ Research indicates that while participation in either HRA or wellness activities alone resulted in savings, participation in both resulted in greater benefits. This suggests that the sum of various wellness interventions provides a greater benefit than the impact of the individual elements alone.¹⁰

It has been well documented that healthy, productive employees result in better customer service and improved business relations. This is especially important given that shareholder value comes from creative and innovative products and services. Employers want to be seen as a good place to work with successful recruitment strategies and high retention rates. Employees that are engaged, productive and appreciated demonstrate these desirable characteristics.

Comprehensive Workplace Wellness is an investment in an organization’s workforce. The focus is not only on managing risk and disease, but on helping employees improve their wellness as well as stay healthy. It is clear that data driven, integrated and comprehensive workplace wellness solutions are needed for organizations to manage their human capital and decrease costs while increasing health-related productivity. The business value of good health is worth significantly more than previously thought. **Good health is good business: the evidence is clear.**

⁷Edington, D.W. (2009) *Zero Trends: Health as a Serious Economic Strategy*. Ann Arbor, Michigan: Health Management Research Center, University of Michigan.

⁸Read our white paper “Comprehensive Workplace Wellness, What is It?” <http://www.wellnesssolutions.ca/white-papers/>

⁹Edington (2009). *Zero Trends*.

¹⁰Serxner, S.A., Gold, D.B., Grossmeier, J.J., and Anderson, D.R. (2003) The relationship between health promotion participation and medical costs: a dose response. *Journal of Occupational and Environmental Medicine*, 45(11), 1196-2000.

Appendix A: Do you know your organization's numbers?

- What are the full costs, including absenteeism (e.g. STI/GI; health claims) of your benefits programs?
- What percentage of your total payroll and benefits costs go to cover the costs of absenteeism, presenteeism, and health-related productivity loss?
- How have these costs changed over the years? (circle one)
 - o Increased
 - o Decreased
 - o Remained the same
- What is your average rate of absenteeism? _____ days per year.
- What is your rate of presenteeism (loss of at-work productivity as a result of stress and poor health)? _____ % of work time per week.
- What are the 3 key steps taken in your organization to improve employee productivity?
 - 1.
 - 2.
 - 3.
- What is your employee turnover rate? _____ %
- How healthy are your employees? How do you know?
- A healthy organization is one where the largest proportion of employees have low risk levels (e.g. 0-2 risk factors).

How close do you think your organization is to that health profile?

What percentage of your employees are at each of the following risk levels:

0 risk factors _____ %
1 risk factor _____ %
2-3 risk factors _____ %
5 risk factors _____ %
6 or more risk factors _____ %

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