

# Creating a Culture of Health at the Workplace with Integrated Health and Productivity Management

Attracting, Retaining and Keeping Employees Healthy Equals a Healthy Bottom Line for Organizations

by Joe San Filippo, CEBS, Chief Health Care Strategist, Nationwide Better Health<sup>SM</sup>

The old adage that “a company’s employees are its most valuable assets” is truer than ever. Trends including globalization, changing workforce demographics and the increasing expense associated with recruiting and training skilled workers are contributing to a worldwide human capital shortage. A recent McKinsey study found that the hunt for talented employees is likely to be the single most important managerial concern for the rest of this decade.<sup>1</sup> And during an economic recession, it’s to a manager’s advantage to keep current employees on the payroll to avoid an open position that may not be approved by upper management for replacement.

Providing benefits that keep workers healthy, productive and loyal to their employers is a leading tactic for acquiring, retaining and satisfying the knowledge workers who constitute a competitive marketplace advantage for any company. And the kind of health insurance coverage that keeps employees happy and healthy is expensive now, and it will only grow more expensive as Baby Boomers continue to age and health care costs continue to outpace inflation. Boomers will work well into their prime illness years for myriad reasons, primarily due to the alarming percent of Americans that are currently at-risk for not having enough saved for a comfortable retirement. With the odds against them, workers are increasingly less confident about having enough money for a comfortable retirement,<sup>2</sup> down from 27 percent in 2007 to 18 percent in 2008; the cost of health care plays a large role with this doubtful mindset.<sup>3</sup>

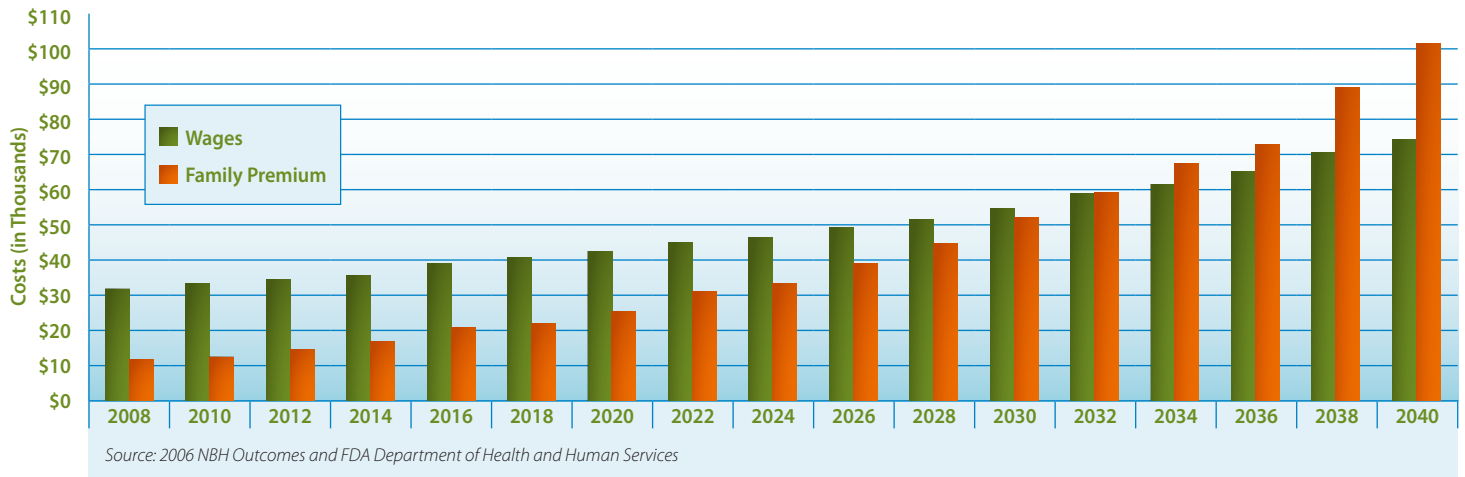
With the increase in health care costs looming on the minds of all employees, management is also troubled by the rising cost of health care coverage. Steady increases in costs year after year have led to the projection that health insurance coverage will surpass wages by the year 2032. Ninety-nine percent of U.S. CFOs recently cited rising health costs as a “concern,” while 62 percent ranked health care costs as “a very important strategic issue” in

an Integrated Benefits Institute CFO study.<sup>4</sup> Although direct costs are clearly rising, indirect dollars are lost by a decrease in productivity caused by employee illness, absence from work and “presenteeism,” where employees are on the job but not contributing to their full capacity due to physical and mental health issues. Within that same study, CFOs agreed that time lost to employee absenteeism and presenteeism is “rising to a critical level that will hurt business performance.”

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Costly as traditional employee benefits programs are for employers, they are not delivering as much value as they possibly can. Productivity losses related to personal and family health problems cost U.S. employers \$1,685 per employee per year – or \$225.8 billion annually.<sup>5</sup> Over the same period, the indirect costs of absenteeism and presenteeism combined can be 2-3 times as high as direct medical costs.<sup>6</sup>

## Health Insurance Costs Will Surpass Wages by 2032 if Trends Continue



This high level of spending to deliver less-than-optimal outcomes characterizes the U.S. health care system as a whole. The U.S. spends more on health care than on food<sup>7</sup> – and by 2020 healthcare will represent fully one-fifth of U.S. GDP.<sup>8</sup> The country ranks low or last among industrialized nations in many measures of systemic success.<sup>9</sup> It is not surprising that many of the same problems afflicting the entire health care system are also present within Corporate America.

Faced with spiraling health care costs and increasing pressure to trim expenses, employers have raised co-pays and deductibles to shift a larger share of health care responsibility to their employees. The median deductible required by employers for individual coverage in preferred-provider organization (PPO) health plans doubled in 2008,<sup>10</sup> leaving individuals facing increased personal accountability for financing their own health care coverage. Most Americans consider this a foreign subject, as the system has devolved so much that many people expect first-dollar coverage for virtually all health care services – with no responsibility for how much those services cost or what health risk caused the problem in the first place.

In a knowledge economy, organizations live or die on the quality of their employees. They simply can't afford to drive employees away by cutting back on health insurance coverage and benefits. Employers are

beginning to acknowledge that cost-cutting and cost-shifting strategies by themselves will not maximize the value of their health care investments. When numerous studies claim that more than 70 percent of health care costs are preventable, a population requires evidence-based, clinical tools and dedicated support to effectively help individuals manage their own health and well-being. And even more so, they must exist in a culture that supports and rewards healthy choices and behaviors.

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Changing culture is not an easy feat, with a majority of jobs within the U.S. placing Americans behind a desk or in the office, working at a breakneck pace that allows no time to foster physical or mental well-being in the workplace. Adopting the habits of a more sedentary and stressful culture puts Americans at an increased risk for disease, chronic conditions and health risks than in the past. Because of these risks, it becomes challenging for employers to keep their workplace population healthy during times where obesity, cardiovascular disease, stress and diabetes are dramatically on the rise.

With numerous odds against its most valuable asset – the health, well-being and productivity of employees – how does an organization protect its population against disease, chronic conditions or even developing acute or catastrophic illness?

A strategic, evidence-based approach to managing health risks within a population involves the use of health management and productivity solutions to support consumer-driven health care solutions at the workplace, to increase the health and productivity of employees and ultimately lower health care costs. To maximize their return-on-investment and manage their risks, employers need to address workplace population health management in an integrated fashion.

### **Diagnosis: Why the “Tower of Babel System” Isn’t Working**

Most large employers self-insure, then hire multiple third parties to administer their various and often disparate health and productivity programs to help manage health risk within their population. This Tower of Babel system of health and productivity programs arose not from an integrated understanding of how best to serve employers and employees’ needs, but from inductive business models designed to provide what employers historically purchased. Typically, employers select different carriers for its employee medical, dental and vision, pharmaceutical plans, so it seemed like a natural extension to go with the “best-in-class” for each health and productivity segment. But this strategy can jeopardize the success of a workplace health and productivity program, especially when multiple vendors could lead to different program goals and visions.

Most third-party vendors are good at just managing one aspect along the care continuum, such as health management. Their focus is keeping a population healthy, or actively managing their conditions. Others may be assigned to drive productivity. Their focus is on getting workers back on the job. The resulting landscape is composed of “service silos” – multiple vendors providing a patchwork of services without holistic cross-

communication, while the employee stays home from work and must navigate through a complicated and multifaceted system on their own.

While the goal of improving employee health to decrease costs is similar among all health and productivity vendors, the difference lies within the approach to care. Siloed vendors lack cross-communication between each other, and unknowingly bombard the employee from many different angles. Multiple vendors result in duplication of programs and services, which ultimately decreases effectiveness and increases costs for the employer – backfiring on the original plan. Siloed systems do not put the individual’s health risk profile or best interests at the center of the model, nor does the system cut costs for the employer when the program is complete. This fragmented approach to workplace health and productivity has less impact on employees and creates large gaps in care for the employer, especially when it comes to tracking why employees call off work in the first place.

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According to the Integrated Benefits Institute CFO study, nearly half of CFOs never receive reports of absenteeism, and more than 80 percent don’t learn about presenteeism. Only 22 percent of CFOs have requested and received analyses on the financial impact of health-related absence, while only eight percent receive financial-impact reports on presenteeism – which is a problem three times as costly as absenteeism. And according to an employee benefits survey conducted by Prudential,<sup>11</sup> only three in 10 plan sponsors report doing

## Level of Market Activity in Absence Management and Benefits Integration – 2008

Percentage of plan sponsors responding on a 7-point scale

|   | Great Deal of Activity | Moderate Activity | Little or No Activity |
|---|------------------------|-------------------|-----------------------|
| Tracking employee absences to improve workforce productivity  | 34%                    | 39%               | 27%                   |
| Providing accommodations to assist employees in returning to work following a leave of absence due to injury or illness | 26%                    | 36%               | 38%                   |
| Coordinating/integrating parts of medical, pharmacy, disability and workers' compensation plans                         | 19%                    | 41%               | 40%                   |

“a great deal” with respect to implementing an absence tracking process that will improve workforce productivity. Slightly more than one-fourth of employers indicate that they are doing little to no tracking.

Not surprisingly, conflicting or uncommunicative service silos discourage employees from taking full advantage of their employers' health and productivity offerings. Employees may be put off by the understandable perception that the vendors are there to control or ration the services provided. When employees do attempt to utilize siloed health and productivity services, they are forced to retell their story to one uninformed stranger after another, while piecemeal information about their diagnoses, treatments and evaluations is sequestered inside various silos.

### Changing Health Coverage from a Cost Center to a Value-Driver

The right question for a company to ask may not be, “How do we keep health costs at bay?” but rather, “How do we stop disease within our population before it even starts?” In other words, is there a way for companies to change health care from a cost center to a driver of business value?

When considering the goals of an optimal health and productivity management strategy, it's helpful to begin with the premise that in any organization, people don't want to be ill. Employees want to work, be productive, make a contribution to the success of the business and be acknowledged for that contribution. While many individuals currently perceive health to be lack of illness, there needs to be an expanded definition that includes the presence of energy and vitality of mind and body and a conscious effort to prevent or stop illness and disease. With that in mind, the goals for optimal health and productivity management should be to serve employers and employees in such a way that employees are:

- > Happier, healthier, more productive and loyal
- > Convinced their companies value them and respect them sufficiently to partner with and put them in positive control of their health
- > Absent from work for the minimum amount of time only, and spend their periods of absence endeavoring to return to work swiftly and prevent recurrence of the disabling condition
- > Aware that returning to work is part of the healing process
- > Contributing enthusiastically to the company's business goals when at work

These are commendable goals, but can companies really invest in them and see a return? The good news is that most value-sapping health and productivity problems in the workplace are preventable with a consistent, seamless and integrated approach. With lifestyle and behavior choices being the driver of most costs, better health and productivity outcomes can reduce current costs by simply engaging employees in monitoring and taking responsibility for their own health.

### The Benefits of Integrating Health and Productivity Programs

Employers who have integrated their own health and productivity programs have found that they deliver top- and bottom-line benefits in the form of healthier,

happier, more productive employees with less cost for their care and administration.

Integration begins by replacing the isolated, oft-conflicting service silos with a shared service model, managed by one company, which provides a seamless level of personalized support customized to the population's unique health needs. The employer works with a single point of contact – one account team, one contract, one workflow, one eligibility file, etc. – for seamless management among products and service offerings.

The integrated model centers on the employee, providing one point of contact for all health and productivity needs and eliminating hand-offs, barriers and duplications. Employees learn to manage or improve their health risk by receiving education, information, tools and support they need to be in the best health possible, including access to a dedicated health coach who can guide them through the process. Health coaches specific to the employee serve as an advocate whose primary concern is their welfare, health and productivity. The independent health coach is there to make sure employees get the programs and services they need as early as possible, saving money for the employer in the long run.

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Even before an employee becomes aware of the program, the integrated service partner is scanning the data for the workforce in an attempt to manage risk at a much earlier stage than service silos can, using work-

site health screenings, absentee reports, pharmaceutical records, medical and disability claims, health risk assessments and other predictive modeling tools to anticipate health problems and head them off, either before they occur or at the earliest possible moment. When coupled with leadership support, employee communications and a proper incentives structure, companies are tapping into every tool and resource at the work-site to help promote employee health and wellness.

When at-risk employees are identified, they are directed by their health coach into appropriate, integrated programs, which help the individual focus on a topic that best fits their needs, such as managing a chronic condition, preparing for the birth of a child, or simply trying to live healthier by eating better, exercising, coping with stress or quitting smoking.

This 360-degree, integrated service is a practical impossibility in the world of service silos. Employees could not afford the time and effort to discover, enroll in and attend each program separately. By contrast, an integrated program tracks the employee through the entire system to make sure each service is delivered optimally, appropriately and cost-effectively to reach the right person, in the right place, at the right time.

Even if the program claims to be integrated, the true test lies in how well it is designed and executed, in order to optimize health of employees and to produce high levels of impact and return. In other words, just because a certain vendor offers a work-site health promotion program or lifestyle management program does not necessarily mean that the program works or that it is as effective as other programs with documented outcomes. When deciding on a health management vendor to partner with, companies should ask to see the documented effectiveness of their programs in appropriately conducted clinical trials and peer-reviewed studies which demonstrate the impact of the return-on-investment (ROI).

## Challenges to Creating a Culture of Health at the Workplace

One of the biggest ongoing challenges with health and productivity management is gaining the trust and buy-in of the employee population, including engagement and participation. This measure is one of two key performance indicators (the other is employer ROI) used to assess the success or failure of any workplace health and productivity program. Even the best-designed programs are meaningless without employee initiative, motivation and buy-in to produce the shift in culture. Once employees change their behavior and accept a culture of health, only then will the program yield results.

Visible senior management support for a workplace health and productivity program is one tactic to gaining program compliance from a population. Leadership participation within the programs helps encourage the culture shift that integrated health and productivity programs aim to create. Likewise, management, peer and thought leader support for the program can all serve to facilitate overall change within a given organization. Another common approach includes appointing “wellness champions” within an organization to act as positive role models for change by sharing their program success stories.<sup>12</sup>

A consistent, promotional marketing communications strategy is also essential to accompany the launch of an integrated health and productivity program to help introduce the program to employees, and reinforce the campaign message on a continuous basis. A full service health and productivity vendor will coordinate with the employer’s human resources or internal communications division to create a targeted, marketing-based approach to promoting all programs that are available, with tailored information to drive program participation and support behavior change. A unified message with hits from multiple mediums (postcards, e-mails, fliers, home-mailers, etc.) proves to be most effective for casting the promotional net and reaching every individual across the entire population.

Establishing program criteria and coupling it with an incentive is another effective way to increase participation in a workplace wellness program, which is a tactic that more than 70 percent of employers use for encouraging employees to benefit from their health and productivity program.<sup>13</sup> If a vendor can work with the employer to figure out the correct formula for administering incentives, they can be an extremely powerful lever in gaining program participation. In general, the amount of about \$200 in discounts or cash seems to be the key threshold to drive participation.<sup>14</sup>

## Support Tools for Incentive Management – Participant Drivers



Other popular incentives include gift cards or time off work.

The success of any workplace wellness program can be influenced by the right vendor, right group of programs for the employee population administered at the right time and supportive employer behaviors.

Integrated health and productivity management solutions are still fairly new in the marketplace, but early results are encouraging. For example, in a service silos environment, the industry-wide employee enrollment rate for disease management programs after recommendation by a nurse is around 40 percent. In an integrated environment, however, that number increases to more than 60 percent when a trusted personal health coach makes the recommendation.<sup>15</sup> A meta-review of 42 published studies<sup>16</sup> of work-site health promotion programs shows a:

- > 28 percent reduction in sick leave absenteeism
- > 26 percent reduction in health costs
- > 30 percent reduction in workers' compensation and disability management claims costs
- > \$5.93-to-\$1 savings-to-cost ratio

### **Smart Employers Don't Shift the Cost of Health Programs to Employees, They Shift the Responsibility**

For an integrated, employer-provided program of health and productivity programs to work, companies must create a culture of health at the workplace and educate their employees on how to be smart consumers in the complex health care marketplace. Employees must feel as empowered in the health care environment as they are at the retail shopping mall or electronics superstore. Employers will realize the full business benefits of health and productivity service offerings only when their employees move from passivity to informed decision-making. Integrating these programs around one point of contact empowers employees to take active roles in their health and wellness, boosting success rates and employer ROI in a virtuous cycle.

Prominent employers, such as Chevron, Nationwide and Nestlé, have embraced integrated health and productivity programs and have research to show cost savings. They, along with a growing list of other employers, have demonstrated that wise investments in health promotion/wellness and disease management programs have generated hard-dollar savings while reaping improvements in absenteeism and presenteeism.

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As a growing body of evidence suggests, there is substantial business value in the integration of employer-supplied health and productivity programs. That value is captured in measures of direct health care savings and increased workplace productivity. Keeping employees on the job results in reduced losses from absenteeism and presenteeism, giving the employer indirect cost-savings and lower employee turnover. Additional value is created by keeping employees healthy or actively managing their conditions, which reduces the health risk among a population and directly impacts the dollars the company spends on claims costs.

When combining health and productivity management in a seamless, integrated fashion, the result equals healthy employees and a healthy bottom line for the company. The "secret sauce" of integration is organizing health and productivity programs around the employee population, and tailoring the program to decrease health risk within each individual. This adjustment of focus changes these programs from cost centers to drivers of competitive advantage.

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Joe San Filippo is chief health care strategist for Nationwide Better Health. With more than two decades of experience in the industry, San Filippo speaks at numerous events across the country on employer strategies for reducing health care expenses and increasing employees' education around monitoring and maintaining their health through absence, disability and disease management and health and wellness solutions.



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