

*Health care programs that go beyond treating diseases and instead focus on prevention and wellness may be part of the answer to the nation's growing health care costs. The author makes the case for the business value of having healthy employees and points out the pitfalls of shifting costs to the employee, as well as the problems of chronic illnesses. He suggests steps employers can take including onsite clinics, technology and more personalized benefits.*

# Build a Better Business Through Better Health Care for Employees

by **Gordon K. Norman, M.D.**  
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Employers are looking for immediate, meaningful solutions to the challenges of rising health care costs. While health care reform is being widely debated, it is likely that employers will continue to play a primary role in the development, funding and execution of benefit plans for employees. Now, more than ever, we need to take a macro view of how improving the health of employees can also improve the health of U.S. businesses and play a vital role in revitalizing the economy.

The solution may well come in the form of comprehensive, integrated health care programs that go beyond simply treating diseases. The focus is likely to be on prevention and wellness through a more personalized approach to care, including innovative and more convenient sites for individual care. The author believes the emphasis should also be on technology tools and connections between caregivers and health care programs tailored toward the individual needs of all constituents within the health care system.

No matter what shape health care reform takes, integrated health care programs can help employers reduce costs, improve productivity and strengthen the global competitiveness of U.S. business.

### The Value of Our Health Care Dollar

Such a quest is important for employers, employees and the nation as a whole. The economic crisis, coupled with uncertainty over health care reform, is having a dramatic effect on employers. According to a survey by Watson Wyatt and the National Business Group on Health, employers spent \$7,173 per employee for health care in 2008. While health care cost increases are expected to remain steady, the current growth rate of 6% is still double the U.S. annual rate of inflation with no relief in sight.<sup>1</sup> PricewaterhouseCoopers Health Research Institute expects health care costs for employers to grow by 9% in 2010.<sup>2</sup>

Coupled with this staggering economic reality is the growing recognition that the United States receives poor value for its investment. Approximately one-sixth of the U.S. economy is based on health care spending. The nation spends twice as much on health care as other wealthy na-

tions. But U.S. life expectancy is lower than that of 41 other countries, and the United States is often at the bottom of key health indicators.

### Decisive Steps Needed

Clearly, decisive steps must be taken. Employers first must realize that there is business value in good health and that shifting costs to employees has had deleterious, unintended consequences. To avoid higher out-of-pocket expenses, employees often do not seek health care services they need to stay healthy and productive. Ignored and undertreated health risks and chronic conditions worsen, leading to emergency room visits and hospitalizations that could have been avoided. In addition to higher direct medical expenses, poor health resulting from lack of care also increases presenteeism and absenteeism, resulting in higher productivity losses in the workplace. The author believes employees must be viewed as an organization's human capital, as investments to be leveraged and as key components of a focused business strategy to build global competitiveness and profitability.

Most employers can do little about the banking crisis, economic downturn or even the nature of health care reform. However, all employers can invest in the health and productivity of employees. With health-related lost productivity costs estimated at two to three times that of pharmacy and medical costs, such an investment provides long-term economic advantages that go well beyond conventional return-on-investment notions. A focus on wellness can help control costs related to skyrocketing medical expenses due to chronic illnesses, sick days, leaves of absence and presenteeism, as well as overall risks associated with poor health.

### Focus on Chronic Illnesses

Viewing employees as critical assets begins with an understanding that healthier employees equate to increased productivity.

Over the past decade, managing health care costs has become increasingly difficult. The workforce population has become sicker with each passing decade, with soaring numbers affected by chronic illnesses such as heart disease, diabetes

and high blood pressure. More than 63% of health care cost increases over the past five years are due to chronic illnesses.<sup>3</sup>

Chronic disease has a direct impact on an employer's bottom line. According to a report from the Milken Institute, an independent, nonpartisan think tank, costs for the seven most prevalent chronic diseases—cancer, diabetes, hypertension, stroke, heart disease, and pulmonary and mental disorders—are \$1.3 trillion annually.<sup>4</sup>

Chronic disease accounts for 70% of all deaths and 83% of all medical/Rx costs. Some 45% of the population has or is at risk for a chronic illness.<sup>5</sup> On average, employers lose 11,500 hours of productivity per year due to chronic illnesses. What is of greatest concern to national leaders and employers is that many chronic illnesses are due to lifestyle choices that, at the least, contribute to high-cost illnesses. For every 100 employees<sup>6</sup>

- 60 are sedentary
- 25 smoke
- 10 have diabetes
- 50 have high cholesterol
- 24 have high blood pressure
- 27 have active cardiac disease.

It's estimated that 20% of those employees have health care expenditures attributable to preventable illness while 40% have health care expenditures attributable to modifiable risk. These are all costs that can be lowered or averted through an emphasis on wellness and prevention and the implementation of targeted health care programs.

### Identifying True Cost Drivers of Poor Employee Health

Focusing on chronic illnesses is critical, yet it is still only part of the problem facing U.S. employers. Most employers measure costs based on pharmacy and medical expenses. In reality, when health care costs are viewed without the broader context of the "full cost" of poor health, the financial impact of a given health condition may be seriously underestimated.

A recent multiemployer study conducted by the American College of Occupational and Environmental Medicine and the Integrated Benefits Institute examined more than 500,000 medical and pharmacy claims. The study's goal was to look beyond pharmacy and medical ex-

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penses to true cost drivers affecting presenteeism and absenteeism.

The study found that when considering medical and drug costs alone, the top five conditions driving costs are cancer (other than skin cancer), back/neck pain, coronary heart disease, chronic pain and high cholesterol. But when health-related productivity costs were measured along with medical and pharmacy costs, the top five chronic conditions driving these overall health costs shifted significantly, to depression, obesity, arthritis, back/neck pain and anxiety.<sup>7</sup>

***In particular, employers are realizing that obesity and other metabolic syndromes such as high blood pressure, high cholesterol and increased insulin resistance are health issues that cannot be ignored.***

The study suggests that many employers miss an opportunity to improve productivity and bottom-line results by failing to recognize and prioritize these conditions. Integrated employee health strategies address these true cost drivers and incorporate interventions that lead to better outcomes.

In particular, employers are realizing that obesity and other metabolic syndromes such as high blood pressure, high cholesterol and increased insulin resistance are health issues that cannot be ignored. Nearly a third of U.S. adults 20 years and older are obese—one of the highest obesity rates in the world—while about two-thirds are overweight, according to the National Center for Health Statistics.

Without drastic changes, the future of employee health continues to look troubling. Today's youth—and tomorrow's workforce—may be the first generation to have lower longevity than their parents. Childhood obesity, at near epidemic lev-

els, already costs an estimated \$14 billion annually. These future U.S. employees are the individuals who must help us become globally competitive. These are the people who will determine our businesses' human capital in the future.

### **Steps Needed to Bring Results**

The author believes employers must move beyond focusing only on specific medical conditions and take aggressive action to develop integrated personal health support strategies that deal with multiple health conditions and risks. The focus should be on support for the whole person as well as the whole population. Components of a comprehensive plan include:

- Primary prevention strategies including health promotion and health education programs
- Secondary prevention strategies such as screening, early detection and health coaching
- Tertiary prevention strategies such as evidence-based quality management programs, including disease management and wellness.

Implementing these strategies also means exploring more convenient sites of care including on-site employee clinics. It also includes putting expanded care teams in place with outsourced management services for specific programs such as diabetes, cardiovascular disease and cancer.

Making it easier for employees to get health care can have significant results for employers, and a growing number of organizations are opening on-site clinics and facilities. For example, Cisco Systems has incorporated a state-of-the-art worksite medical facility, the Cisco LifeConnections Health Center in San Jose, California. Cisco employees and their dependents can get a breadth of medical services on-campus, ranging from primary care and physical exams to immunizations, lab work, health coaching, acupuncture, chiropractic care and physical therapy as well as access to an on-site pharmacy.

Such clinics typically make the most sense for employers with 1,000 or more employees. Cost savings can be significant. Some studies have shown that \$2 are saved for every \$1 invested; others indicate savings can be as high six to one.<sup>8,9</sup>

Smaller employers can develop ar-

rangements with local clinics, facilities and provider offices. For example, some smaller employers arrange with local physician offices and nurse case managers for biweekly site visits, or they work with local retail clinics to develop programs for employees.

### **Technology's Role Beyond EMR**

Technology will also play a vital role in reforming health care. The author thinks employers should look for health partners that incorporate a wide range of technology tools and connectivity solutions. The nation is rapidly moving toward electronic medical records (EMRs) as a standard of care. EMRs provide an electronic file of a patient's medical history. They also provide medical transcription notes, billing/insurance information and other data that health care providers and payers need to complete a patient profile.

While EMRs are important, there is also a need for more portable and accessible records for individuals to track and monitor their health status and treatment. Online personal health records (PHRs) enable participants to create a completely confidential online database where they can store personalized health content in one place. The PHR can assist with interactive member/health coach messaging, provide an online care plan, automatically generate reminders to member e-mail and/or cell phone for tasks and appointments, and provide a claims and medication history.

Other technologies can play an important role in connecting participants with providers. In-home health monitors for diseases such as diabetes and high blood pressure transmit real-time health information to clinicians. They typically monitor and record biometric measures and present preprogrammed questions to participants regarding symptoms of chronic conditions or comorbidities. This data is sent daily via phone lines or wirelessly to clinicians, allowing them to provide immediate guidance and/or alert the participant's physician if the symptoms require immediate attention.

### **The Role of Personal Responsibility**

While most employers today are willing to adapt new approaches to benefits and

employee wellness, many also want to ensure that their employees accept more personal responsibility and more fairly contribute to the cost of their health. As businesses seek to become more globally competitive, this is an understandable and valid consideration. However, it is important for employers to recognize that employees need personalized support. Most consumers today are not sufficiently prepared or motivated to take responsibility for their health and well-being—physically, emotionally or financially.

### What Is Personal Health Support?

*Personal health support programs* are clinically developed and proven approaches designed to help employees make meaningful, health-related changes in their lives. They begin with employee health risk assessments (HRAs), biometric screenings, and most importantly, self-reporting tools. Such tools are much more insightful than medical and pharmacy claims data alone. These tools provide employers with an accurate picture of cost drivers and functional outcomes related to productivity. For example, being overweight or obese rarely shows up in medical claims. Yet employers need this kind of information to develop targeted and useful programs, as absenteeism costs for obese employees are almost double that of lean workers.

With each assessment, the goal is to find out what's going on in a person's life at the moment. After that, coaches look at the "whole" person. The goal is also to find out more about each person's emotional and psychological state as well as each individual's culture and home environment.

Once an employee's area of need is identified, the employer can move on to providing personal health support through targeted education and coaching. To be successful, these programs must engage employees with "personalized" benefits that are relevant to each person. Instead of focusing immediately on the person's unhealthy lifestyle behaviors, such as smoking or failure to refill a prescription, effective programs must initiate a dialog about what is important to that person on that day. For example, often an employee is unwilling to stop a behavior such as smoking im-

mediately but will commit to a basic exercise program. Even as little as five minutes of exercise a day can make a difference in getting a person motivated to make more lasting changes. When personalized programs are combined with health coaching, the outcomes can be even more significant.

Effective coaching programs go well beyond simply cheerleading or even basic education. For optimal outcomes, coaching programs must engage, motivate and inspire employees. When coaching programs work to show people that they are ultimately in charge of their health care, it helps to create a greater commitment to programs. People gain confidence through small successes such as brief walking regimens—and are then more willing to take on the more challenging lifestyle changes such as smoking cessation and diet.

### Developing a Corporate Culture of Wellness

Another factor critical to the success of wellness programs is the corporate culture. Studies show that companies that promote wellness from the top down and have an integrated and comprehensive approach to wellness programs have a much higher success rate. Best-practice characteristics of successful programs include

- Strong culture of health
- Effective program design
- Rigorous measurement of program results
- Robust engagement strategy
- Meaningful incentive programs.<sup>10</sup>

Incentive programs are a key strategy to consider. Research indicates that organizations with strong communications and organizational support could achieve 50% participation when providing an incentive as low as \$40. Conversely, companies with low levels of management support would have to spend \$120 on incentives to achieve the same results.<sup>11</sup>

### In Challenging Economy Keeping Employees Healthy Saves Money

It is no longer enough for employers to focus on shifting costs and controlling medical/pharmacy costs. Comprehensive programs are needed to prevent illness,

promote wellness and help employees with chronic illnesses to reduce their risks.

Wellness programs play a key role in addressing the needs of all employees. They help

- Healthy employees stay healthy
- Employees with health conditions that drive absenteeism and presenteeism, such as back pain, depression and obesity, become healthier
- Those at risk for developing a chronic condition improve self-care skills and prevention strategies
- Employees with chronic illnesses reduce risk of becoming sicker.

In a tight economy, some employers may question the feasibility of wellness programs. However, when properly structured, wellness programs can help save significant benefit dollars. A study of a wellness program for one employer showed that for every dollar spent on wellness, the company saved \$1.75 in health care and productivity costs. Wellness programs can include everything from healthy eating and exercise promotion to weight loss programs, smoking cessation and stress management.

### Saving Money, Improving Lives, Protecting Human Capital

An integrated, comprehensive wellness approach, including an emphasis on personal health support, creates tremendous benefits for employers and, ultimately, for the nation. According to the Milken Institute, with modest improvements in treating chronic disease, a comprehensive and integrated approach to benefits would avoid 40 million cases of chronic disease, decrease costs by \$218 billion and reduce economic impact of chronic diseases by \$1.1 trillion. What's more, it's estimated that GDP would increase by \$908 billion.

These estimates do not take into account additional health-related productivity savings, which can be two to three times more than the savings in medical and pharmacy costs, or the savings that could be generated by populationwide wellness, health promotion and prevention programs.

In a hypothetical situation—yet one based on the experience of many employers—an employer was experiencing a po-

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tential of eight days of lost health-related productivity (absenteeism and presenteeism) per full-time equivalent employee (FTE) per year, at a cost of \$2,598 per employee. When multiplied by the number of FTEs in that workforce, the modeled health-related productivity cost for that employer totaled \$153 million per year.<sup>12</sup>

Conversely, a study by Watson Wyatt of 355 large employers showed that employers with strong wellness programs were able to achieve significant financial savings, including lower costs for sick leave, long- and short-term disability and even general health coverage.<sup>13</sup>

## Employers Are Not in This Alone

Even the employer with a full understanding and commitment to making necessary changes in employee health programs may wonder how to fund such programs. Two issues to be addressed are (1) how to cost effectively develop and implement such programs and of greater importance, and (2) what happens if such programs are not developed? When steps are not taken to improve employee health, employers are guaranteed a cycle of increasing costs and decreasing productivity.

Employers are not in the battle to improve employee health alone. Health plans and services providers have already developed many proven programs that can address an organization's specific needs. A wide range of programs are available that can help businesses lower costs in areas ranging from prenatal care and diabetes to high blood pressure and can-

cer. Employers can ask health services partners to work with them to create comprehensive and integrated programs.

Employers must also be able to see beyond short-term program investments to the long-term value of improved productivity and averting higher costs. As a nation, we are now talking about the development of a new health care paradigm—one that is moving beyond focusing only on the treatment of employees with chronic disease to one that champions prevention and wellness. **B&C**

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