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## Creating Healthy States: Building Healthy Worksites

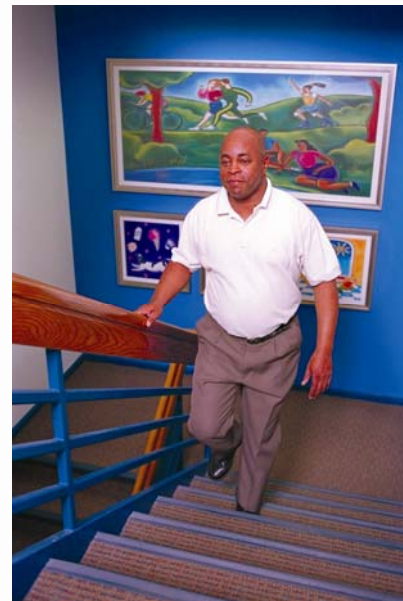
### Summary

The cost of health care for businesses threatens the nation's ability to compete in the global marketplace. Nationwide health care-related expenditures for state employees were \$24 billion in 2001—or 2.5 percent of all state spending—and represented the second highest health expenditure next to Medicaid. The escalating cost of health has taken a toll on both the private and public sectors and is projected to continue. Health care spending in the U.S. public and private sectors doubled between 1990 and 2001, and such spending is projected to double again by 2012.

With most American workers spending nearly half their waking hours on the job, worksites are becoming a prime venue for promoting healthy habits. Employers who improve employee wellness programs can reap the rewards of fewer sick days, greater overall productivity, and lower health insurance costs. As the state's chief executive, governors have direct authority over the public workforce—the largest group of employees in most states.

This issue brief examines how states can benefit by investing in the health of public sector workforce, and includes examples of public and private initiatives that are improving the health of employees. Several gubernatorial initiatives described in this issue brief are already improving the health of state residents.

- ***Establishing a health-related employee recognition program.*** Gubernatorial recognition programs can encourage personal commitments to health, as well as reward private sector employers for encouraging employees to take responsibility for their own health.
- ***Building coalitions to encourage employee wellness.*** Forming coalitions and advisory groups can help identify emerging trends and best practices in employee wellness. Governors have an array of options for convening coalitions among the public sector, as well as providing incentives, leadership, and support for worksite health promotion in the private sector.



- ***Offering a comprehensive employee wellness program.*** Many organizations and a number of states have begun investing in comprehensive employee wellness programs. In developing these programs for state employees, governors may consider the following three primary components of a comprehensive wellness program:
  - *Offering a comprehensive health benefits program.* Many employers have implemented yearly health assessments to measure the health status and needs of the workforce and retirees, preventive screenings to detect catastrophic illness, and financial incentives to promote healthy behavior.
  - *Instituting supportive environments that promote healthy behaviors.* Supportive environments can promote wellness by making it easier for employees to integrate healthy behaviors and physical exercise into their daily routines.
  - *Promoting personal accountability.* Many organizations are promoting personal health management and accountability to motivate employees to take responsibility for their health and lifestyle.

Governors are in a unique leadership position to promote a broad agenda for protecting, supporting and enhancing state employee health and productivity. By using their authority and influence to improve worksite wellness in their states, governors can help create a culture of wellness in America.

## **Introduction**

The cost of health care for businesses in the United States threatens the nation's ability to compete in the global marketplace. Nationwide health care-related expenditures for state employees were \$24 billion in 2001—or 2.5 percent of all state spending—and represented the second highest health expenditure next to Medicaid.<sup>1</sup> The escalating cost of health has taken a toll on both the private and public sectors and is projected to continue. From 1990 to 2001, the cost of health care doubled and it is projected to double again by 2012.<sup>2</sup>

With most American workers spending nearly half their waking hours on the job, worksites are becoming a prime venue for promoting healthy habits. Employers that have employee worksite wellness programs can reap the rewards of fewer sick days, greater overall productivity, and lower health insurance costs. Governors, as the chief executive of the state, have direct authority over the public workforce—often the largest group of employees in the state—and have a unique opportunity to influence private sector employers.

Given the size of the public workforce, public employees are an important target for wellness programs to keep health costs low; however, the retiree population is also important. The aging workforce alone will continue to increase total health care costs exponentially due to increases in health risks and chronic diseases.<sup>3</sup> Some of these health risks, and the chronic diseases associated with them, are lifestyle-related and modifiable.

Due to the growing cost burden of health care, many public and private employers continue to pass increases in the cost of health insurance on to employees by requiring greater cost sharing. But the reality cannot be ignored: Short-term cost-fixes do not address a primary driver of soaring health insurance costs—*inadequate investment* in health through primary prevention, health risk reduction, and disease management. In order to reduce and manage these trends, government and business leaders need to integrate comprehensive health promotion programs into health benefit plans across the entire employee population.

The primary goals of employee health promotion are to help people maintain or move toward an optimal state of health; to reduce health risks; and to prevent and manage disease - all while optimizing the health and productivity of a state or organization. At its best, worksite health promotion creates an organizational climate that fosters vitality and motivation, and leverages the potential for increased workforce productivity that creates a worksite wellness environment. Defined, worksite wellness refers to the policies and practices that support *profitability for the organization and employability for the individual*.<sup>4</sup> The following brief summarizes gubernatorial action strategies that will improve the health and wellness of state employees.

### **Making the Case for Healthy Worksites**

Over the past three decades, the data supporting the economic benefits of health promotion programs has become stronger, and evaluation techniques more sophisticated. Emerging research in the field of health and productivity management is demonstrating the true cost burden of poor employee health and its threat to the competitiveness, and overall sustainability of an organization.

Employers who are investing in wellness programs at the state and local levels are seeing financial returns. Consider:

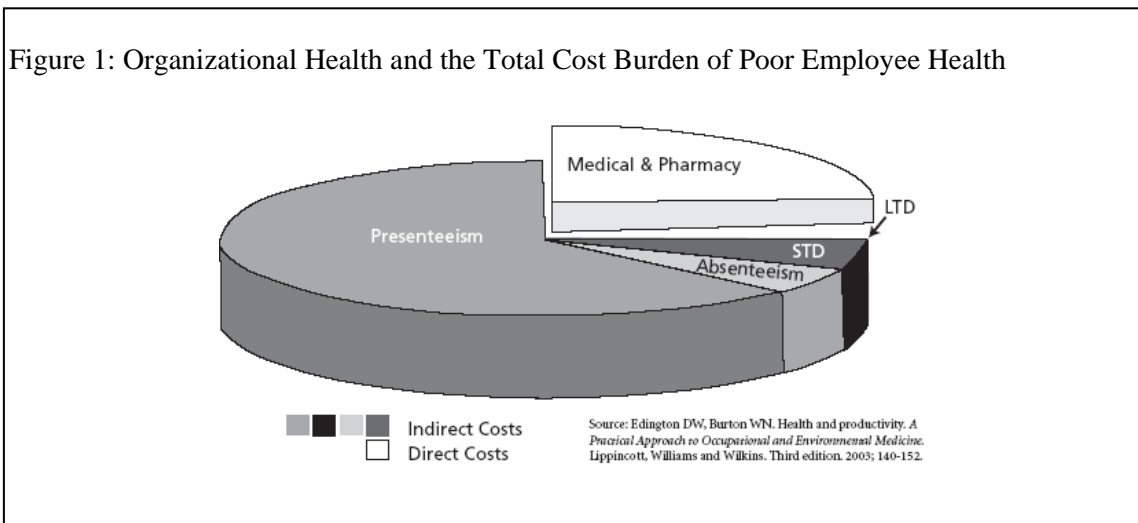
- **North Carolina** Governor Mike Easley's *HealthSmart* program is built on the successes of local pilot programs for disease management and wellness that identified employees with particular conditions and provided them with intensive health coaching on lifestyle changes and clinical management. From the nine local pilots state employees annually saved \$22.5 million. Given the success of the local pilots, *HealthSmart* was expanded to all state employees in 2005.<sup>5</sup>
- **Delaware** Governor Ruth Ann Minner launched the *Health Rewards* pilot study program in 2003 for state employees. State employees enrolled in group health insurance programs were offered comprehensive health assessments, guidance, and fitness prescriptions. Delaware realized more than \$62,000 in immediate savings for the first 100 participants in the study.<sup>6</sup>
- The City of Asheville, North Carolina launched a diabetes management program that demonstrated improvement in controlling blood glucose levels; reduced direct medical costs and sick time; and showed an \$18,000 annual increase in productivity per employee with diabetes.<sup>7</sup>

In the private sector, employers have successfully targeted medical costs and saved millions of dollars through the use of worksite wellness programs. Increases in direct medical costs (e.g., outpatient, inpatient, and pharmaceutical utilization) continue to outpace general inflation, and several worksite wellness programs have demonstrated the potential to save millions of dollars.

- *Johnson & Johnson's Healthy People* Program estimates it saves between \$9-10 million per year from reduced medical utilization and lower administrative expenses.<sup>8</sup>
- *Citibank* launched a comprehensive health management program that demonstrates for every dollar invested in programming activities, \$4.56 to \$4.73 was saved in reduced health care costs.<sup>9</sup>
- *Union Pacific Railroad's* medical self-care program shows a cost savings of \$2.78 for every dollar invested by reducing inappropriate emergency room and outpatient visits.<sup>10</sup>

Indirect medical savings can significantly reduce operating costs as well, through reduced absenteeism, increased productivity and product quality, and reduced workers' compensation and disability management claims costs.<sup>11</sup> Indirect costs of poor health can be two to three times the cost of direct medical expenditures.<sup>12</sup>

An extensive review of published studies examining the indirect savings from worksite health promotion programs found that for every dollar invested, an organization may realize a savings of \$3.50 through reduced absenteeism and health care costs.<sup>13</sup> Another review concluded that worksite health promotion programs, on average, realized a 28 percent reduction in absenteeism, a 26 percent reduction in health costs, a 30 percent reduction in workers' compensation and disability management claims costs, and a reported savings of \$5.93 for every dollar invested.<sup>14</sup>



A newer, but significant component contributing to the total cost burden of poor health is presenteeism. Presenteeism refers to diminished on-the-job performance due to health-related problem(s).<sup>15</sup> For example, unmanaged health issues, such as allergies, depression, diabetes, and asthma can significantly impair productivity when these or other conditions are viewed cumulatively across an employee population. Different variables are used to define and measure presenteeism, making job impairment task specific (see Figure 1).

### State Strategies for Wellness Where We Work

States have considerable investments in the well-being of its current and past state workforce because it pays for a large portion of their health care services. Governors have an opportunity to impact state employee health and wellness through policy and environmental changes, such as smoking bans or installing showers and locker rooms. Governors have administrative authority and obligations for both current employees and retirees. To succeed in improving the health of employees, governors must engage this workforce, the health plans and vendors that serve them, and the unions that represent them.

Governors, as the state's chief executive, are in a unique leadership position to promote a broad agenda for protecting, supporting, and enhancing one of the state's greatest natural assets—a healthy and productive workforce. As the costs of health benefits continue to outpace general inflation,<sup>16</sup> governors have an opportunity to impact state employees' health and wellness through changes to the environment and culture of the state workplace. Governors have demonstrated success by establishing recognition programs; building coalitions with public and private sector partners; and offering a comprehensive worksite program to state employees.

### **Establishing Health-Related Employee Recognition Programs**

Formal gubernatorial recognition programs can encourage personal commitments to improve health, as well as reward public and private sector employers for supporting employees who take responsibility for their health. Some states have implemented award programs to raise awareness of public and private sector organizations that have significantly promoted better health among state residents.

- In **Arizona**, Janet Napolitano's Governor's Council on Health, Physical Fitness, and Sports began awarding public and private organizations for successful contributions that improved the health, fitness, or recreation of Arizonians. The council considers nominations in three program categories: Council Awards, Mayors Award, and Tribal Awards.<sup>17</sup>
- Governor Mitch Daniels launched INShape **Indiana** which is a comprehensive health initiative to educate and raise awareness among state residents about existing services and opportunities related to nutrition, physical exercise, and curbing tobacco use. The program challenges and awards universities, counties, hospitals, religious congregations, large and small businesses, schools, and state agencies for connecting Hoosiers to existing state resources.<sup>18</sup>

### **Building Coalitions to Encourage Employee Wellness**

Forming coalitions and advisory groups can help identify emerging trends in employee wellness and health status. Governors have an array of options for initiating, leading, or convening coalitions or councils to address either public or private sector employee populations. For example, some states and organizations have implemented employee health and wellness councils, convened business roundtables, or partnered with other stakeholders (e.g., health plans, pharmaceutical firms) to deliver appropriate health management services.

- **Oklahoma** Governor Brad Henry uses an employee benefits council to guide benefit decisions for 36,000 active state employees. The council represents the concerns and interests of state employees, the council has introduced incentive programs for employees to participate in physical activity and wellness checks-up.<sup>19</sup>

### **Offering a Comprehensive Wellness Program to State Employees**

Offering a comprehensive wellness program can greatly improve employees' health management by instituting a comprehensive health benefits program, offering employees a supportive workplace environment, and promoting personal accountability.

- *Health Benefits Design.* Designing benefits that improve the value and cost-effectiveness of health care services purchased, reduce costly health care purchasing behavior, and reward healthy lifestyle practices are critical in the promotion of wellness.
- *Supportive Environments.* Supportive environments include the policies, programs, and structural supports that make it easier for employees to integrate healthy behaviors and physical exercise into their daily routines.
- *Personal Accountability.* Personal accountability moves employees from a mindset of entitlement to personal responsibility. Employees can become more motivated to pursue a healthier lifestyle if health benefits and supportive policies, programs, and environments are instituted in the workplace. Financial incentives (e.g. lower premiums) or disincentives (e.g. greater cost sharing) have been instituted by employers to encourage healthier lifestyles.



Governors can provide incentives, leadership, and support for these kinds of efforts in the private sector as well as the public sector. Strategies for doing this may include providing opportunities for non-competitive sharing of best practices among companies, and the use of incentives, public challenges and awards, and other supports to spread the adoption of these efforts to large and small businesses in the state. Several examples of these strategies are mentioned in the discussion of components of a comprehensive employee wellness program that follows.

### Components of a Comprehensive Employee Wellness Programs

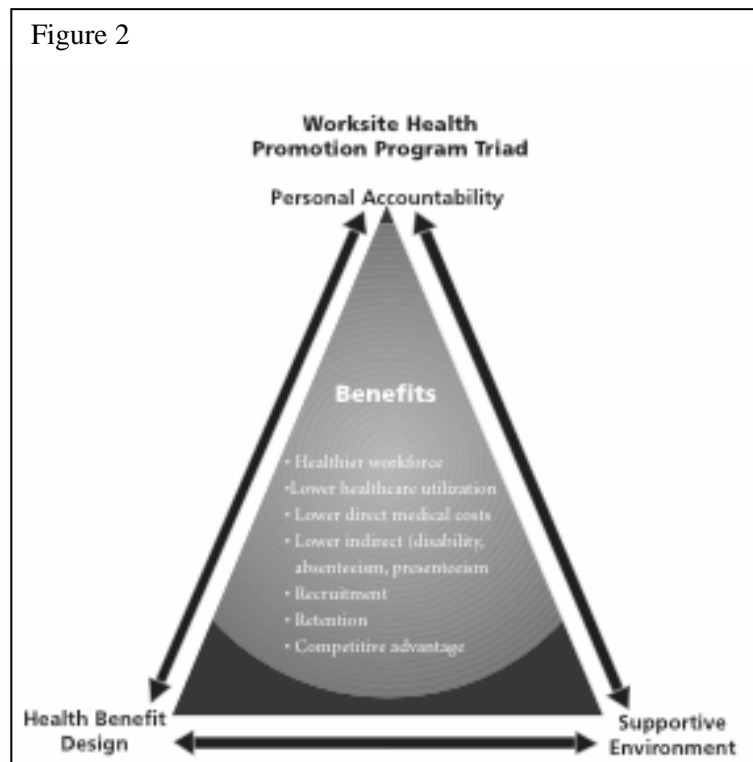
One of the most important strategies a state can take to promote healthy behaviors among its employees is to develop a comprehensive employee wellness program. Most state government's employee health promotion initiatives are focused on single themes such as physical activity or healthy eating, with only a few states offering more comprehensive models that include data management, health risk assessment, risk reduction interventions, medical consumerism, and disease management.<sup>20</sup>

Under the leadership of the governor's office, states have opportunities to promote a broader agenda of employee health among state employees and municipalities. To promote such an agenda, experts recommend that organizations invest in a comprehensive health management strategy that integrates health management services into typical health coverage plans, and addresses the health needs of the entire employee population including dependents and retirees.

At its most basic level, a comprehensive program leverages three key components: health benefit design, a supportive environment, and personal accountability.<sup>21</sup> This model can be depicted as a triad (Figure 2).

States may develop more expansive programs incorporating additional operational elements. A few states—**Arkansas, North Carolina, Ohio, and Virginia**, for example—offer more comprehensive health promotion programs that include personal risk assessments, lifestyle education, incentives, and health management.<sup>22</sup> Yet the planning and design of a comprehensive employee health promotion program can be summarized by focusing on the three program components illustrated in the figure above. Each component of this triad is discussed further below.

Figure 2



## Health Benefits Design

Health benefits packages can be designed to encourage the prevention and management of disease, and do not create cost or access barriers to effective interventions and treatment for health problems. The skillful design of employee health benefits can improve the quality of care, reduce costly purchasing behaviors, and encourage and support healthy lifestyles.

### *Designing benefits to improve the value and cost-effectiveness of health care services purchased.*

Making health care purchases on the basis of value (i.e., best outcome for the price) is likely to be more cost effective than making such purchases based on cost alone. Examples of benefit decisions that take into account total value include the following:<sup>23,24</sup>

- Reviewing potential barriers to appropriate treatment (e.g. access to screenings, pharmaceutical use) and their impact on access, utilization, cost, and quality of care.<sup>25</sup> The City of Asheville, North Carolina, for example, waived co-payments for diabetes medications and provided free supplies in order to reduce cost barriers to diabetes treatment.<sup>26</sup>
- Building education into plan design to empower employees' effective management of their treatment. Organizations such as Caterpillar, Union Pacific, Inc., Bath Iron Works, UAW-GM, and the Public Service Enterprise Group (PSEG) provide programs on medical self-care for employees to promote informed medical decision-making.<sup>24</sup>

### *Designing benefits to reduce costly health care purchasing behavior*

Many public and private employers are integrating employees into the health care debate by providing a true understanding of the cost of health care. Consumer-driven health plans, for example, make employees more accountable for purchase decisions. Employers have an opportunity to help employees make informed health care decisions through decision-support practices that explore treatment options and their relative benefits, risks, and costs.<sup>27</sup>

- Pitney Bowes uses predictive modeling software to assess the potential effects of benefit design on utilization and treatment adherence rates. Its analysis led the company to lower coinsurance for brand-name asthma and diabetes drugs to 1 percent (as opposed to 30 percent to 50 percent for other brand-name drugs). In the following two years, a decrease in hospital admissions, office visits, and pharmacy costs led overall health costs to drop 12 percent and 15 percent, respectively.<sup>28</sup>

### *Designing benefits to reward healthy lifestyle practices*

Employers may design benefits to reward participation in health risk assessments (HRAs) and intervention programs, fitness facility use, tobacco cessation, or improved clinical measures (e.g., blood glucose control).

- Consider requiring completion of a periodic HRA to retain eligibility for benefit coverage or premium discounts.<sup>29</sup> **Arkansas**, for example, provides employees with a \$20 monthly reduction in insurance premiums if they participate in a voluntary health risk assessment.<sup>30</sup>
- Employees of the state of **South Dakota** receive a \$100 wellness incentive if they attain a personal health goal and \$50 for participating in a health assessment.<sup>31</sup>

## Supportive Environments

Supportive environments empower employees to implement safe work practices and positive health behaviors. Creating a culture of wellness in a worksite can dramatically increase participation rates in health promotion programs, and promote the organization as a competitive employer. In organizations with a supportive environment, employees see health promotion as the acceptable norm, and healthy choices are reinforced in all day-to-day interactions.<sup>32</sup> Several elements that benefit managers might consider in building a supportive environment are discussed below.

### *Programmatic support for wellness*

An established wellness program needs to motivate employees to take a more active role in their health; however, it must provide opportunities and incentives for employees to integrate better health in their everyday lives.

- Top management must visibly proclaim that health is a critical value and an organizational objective, for both the public and private sectors, while also explaining the steps it will take to address poor health and health risks. **Indiana**'s governor, for example, has raised public and private awareness of Indiana resources through a recognition program for living a healthy lifestyle.<sup>33</sup>
- One of the most popular state-sponsored programs encourages walking. **Arkansas, Michigan, West Virginia, and Virginia** encourage physical activity through pedometer programs. Other states such as **Kentucky, New Mexico, and Ohio** encourage walking through statewide challenges and special events.
- Wellness programs can encourage appropriate treatment and prevention of health problems, as well as participation in the wellness program, by integrating incentives for individuals to better manage their health. To illustrate, many employers provide a fiscal incentive for participating in a health risk assessment, meeting with a counselor to discuss its results, and participating in one or two additional health promotion activities during the year.<sup>34</sup>
- Managers must give employees abundant opportunities to participate in health promotion programs. **Utah**'s *Work Well Program* encourages state employees to exercise through a policy allowing workers 30 minutes of exercise, three days per week.<sup>35</sup>

### *Policy support for wellness*

In addition to programmatic support, employees must also have supportive policies in their everyday workplace.

- Some states have instituted health and safety policies to encourage better health. For example, **Arkansas** and **Wisconsin** have banned smoking near or within state office buildings.<sup>36</sup>
- Some states and/or governors have competed against private employers or state residents in health challenges that can create employee peer support teams within state offices or among residents. **Georgia** and **South Carolina** have publicly encouraged state challenges.<sup>37</sup>



### ***Structural support for wellness***

Structural support is, by far, more complex and often requires a financial investment. Structural support means providing the physical environment that allows for a daily investment in healthier lifestyles. Many large corporations, for example, integrate fitness facilities or healthy cafeterias into their worksite campuses.

- Create a health- and fitness-friendly environment by offering exercise options such as walking paths, showers, attractive stairwells, low-fat cafeteria/vending selections. A number of states including **Michigan and Virginia** provide walking trails for state employees around state campuses.<sup>38</sup>
- Incorporate fitness centers in the design and construction of new state facilities where there are large concentrations of employees.<sup>39</sup> Pitney Bowes and Florida Power & Light provide medical clinics on site to support appropriate care, reduce costs, and remove travel and wait times. Organizations such as Xerox, Pfizer, Johnson & Johnson, Union Pacific, and Lands' End provide onsite fitness centers for employees.<sup>40</sup>

### **Personal Accountability**

Personal accountability moves employees' mindset from benefit entitlement to personal responsibility for their health-related decisions and behaviors. Based on one private sector survey, 93 percent of employees are ready to assume responsibility for their health status but have not yet received clear, targeted messages from their employers that encourage them to act.<sup>41</sup> In addition, the same study found that:

- More than 80 percent do not estimate their health care expenses each year.
- Nearly 80 percent do not believe they can personally take action to help control these costs.
- More than half (57 percent) have never researched provider costs or quality.
- 24 percent have never inquired about prescription drug options.

The study concludes that a direct correlation exists between employees' awareness and use of tools and positive health choices and actions.

Although the employer bears the primary responsibility for transforming an unhealthy organization, much of the investment in health and productivity management will go to waste if employees themselves do not understand and assume personal responsibility. Personal accountability is critical in primary prevention (living a healthy lifestyle and follow preventive screenings), risk management (reduce lifestyle-related risk factors), and medical consumerism (follow medical advice and shop for appropriate care).

### **Conclusion**

Employee health is a critical component of success for global wellness improvements by public and private sector efforts. With nationwide health care-related expenditures for state employees at \$24 billion in 2001 – and projected to redouble by 2012 – the health of the American worker significantly impacts the overall competitiveness of the American economy. As the chief executive of states, governors are in a unique leadership position to promote a broad agenda for protecting, supporting and enhancing one of the state's greatest assets – a healthy and productive workforce. By using their authority and influence to improve employee's wellness in their states, governors can help create a culture of wellness in America.

**APPENDIX A: Summary of State and Private Sector Health Promotion Initiatives**

Initiative	Common Strategies	Organizations
Comprehensive Program	<ul style="list-style-type: none"> <li>Data management</li> <li>Aligned with benefit offerings and organizational goals</li> <li>Health risk assessment and screening</li> <li>Preventive and lifestyle programs</li> <li>Periodic health communications</li> <li>Risk reduction interventions</li> <li>Medical self-care and consumerism education</li> <li>Disease management</li> </ul>	<ul style="list-style-type: none"> <li>Arkansas: <i>Healthy Arkansas</i></li> <li>North Carolina: <i>HealthSmart</i></li> <li>Commonwealth of Virginia: <i>CommonHealth</i></li> <li>South Dakota: <i>Healthy South Dakota Plan</i></li> <li>MD Anderson Cancer Center</li> <li>UAW-GM</li> <li>Dow Chemical</li> <li>Xerox Corporation</li> <li>Pitney Bowes</li> <li>Caterpillar</li> <li>Florida Power &amp; Light</li> </ul>
Health Benefit Design Initiatives	<ul style="list-style-type: none"> <li>Modify employee health benefit offerings to encourage personal accountability; reduce barriers to participation and adherence; incentivize participation</li> </ul>	<ul style="list-style-type: none"> <li>Pitney Bowes</li> <li>City of Asheville, NC</li> </ul>
Supportive Environments	<ul style="list-style-type: none"> <li>Encouragement and support of employee health through policies and programs that reinforce positive health behaviors: physical activity, healthy eating, smoking cessation, and safe work practices.</li> <li>Establishment of employee committees and peer leadership networks that provide guidance and ownership in health initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>Arkansas: smoke-free worksite</li> <li>Wisconsin: smoke-free worksite</li> <li>Arizona: <i>Employee Wellness Council</i></li> <li>Pitney Bowes: subsidized, healthy cafeteria selections</li> <li>Xerox Corporation: fitness centers</li> </ul>
Incentive Programs	<ul style="list-style-type: none"> <li>Provide monetary or non-monetary incentives to encourage employee participation in such initiatives as health risk assessments, health screenings, or disease management programs. Incentive programs may also encourage physician compliance to evidence-based treatment guidelines (e.g., diabetes, asthma)</li> </ul>	<ul style="list-style-type: none"> <li>Arkansas: <i>HealthyArkansas</i></li> <li>Commonwealth of Virginia: <i>CommonHealth</i></li> <li>South Dakota: <i>Healthy South Dakota Plan</i></li> <li>Pitney Bowes</li> <li>United Parcel Service</li> <li>Florida Power &amp; Light</li> <li>City of Asheville, NC</li> </ul>
Health Assessments/Screenings	<ul style="list-style-type: none"> <li>Provide onsite screenings and health risk assessments to increase awareness of lifestyle-related risks and act as a springboard for primary prevention and risk reduction.</li> </ul>	<ul style="list-style-type: none"> <li>Delaware: <i>Health Rewards</i></li> <li>Kentucky: <i>Wellness Program</i></li> <li>Commonwealth of Virginia: <i>CommonHealth</i></li> </ul>
Physical Activity and Weight Management Campaigns	<ul style="list-style-type: none"> <li>Promote physical activity (e.g., walking) to employees/businesses through official “fitness days”, dedicated campaigns (e.g., 10,000 Steps).</li> <li>Pedometer programs</li> <li>Providing fitness centers within major worksites.</li> <li>Stair programs, walking trails, bicycle (bike racks) to work programs.</li> <li>Associating physical activity and healthy eating with weight management.</li> <li>Governor’s Challenges</li> </ul>	<ul style="list-style-type: none"> <li>Arizona: <i>Agency challenges</i></li> <li>Utah: <i>Work Well Program</i></li> <li>Kentucky: <i>Wellness Program</i></li> <li>Arkansas: <i>HealthyArkansas</i></li> <li>Georgia: <i>The Governor’s Capital Challenge</i></li> <li>Indiana: <i>Governor’s Challenge for Better Health</i></li> <li>Ohio: <i>Healthy Ohioans</i></li> <li>South Dakota: <i>State summit on nutrition and physical activity</i></li> </ul>
Awareness Campaigns and Health Fairs	<ul style="list-style-type: none"> <li>Special campaigns and events that promote a healthy lifestyle, risk awareness, or disease awareness.</li> <li>Health fairs</li> </ul>	<ul style="list-style-type: none"> <li>Arizona: <i>Employee Wellness Expo</i></li> <li>Oklahoma: <i>Oklahoma Wellness Week</i></li> <li>North Carolina: <i>State Employee Wellness Fair</i></li> </ul>
Business Recognition and Other Programs	<ul style="list-style-type: none"> <li>Recognize leading businesses for their contribution to the health and safety of their employees</li> <li>Promote employee health within the private and public sectors.</li> </ul>	<ul style="list-style-type: none"> <li>Vermont: <i>Worksite Wellness Awards</i></li> <li>Ohio: <i>Healthy Ohioans</i></li> <li>Commonwealth of Virginia: <i>Tool Kit</i></li> </ul>

## **APPENDIX B: Getting Started: Creating a Comprehensive Health Promotion Program**

To begin, senior leaders must understand the health needs and status of their employees. There are two primary considerations that go into designing a comprehensive health benefits program:

- Truly understanding the total indirect and direct costs of poor health to the organization, and more effectively identifying and managing high-risk/high-cost employees while proactively keeping low-risk workers at low risk.
- Measuring program results against benchmarks to evaluate the impact on health and productivity.

It is important to utilize different sources of data that can analyze the various dimensions of the cost of poor health. For example, data sources can include medical costs, disability, absenteeism, presenteeism, workers' compensation, or pharmaceutical costs.

### **Understanding and Managing Your Entire Population**

It is important for organizations to understand that the risk status of their population is not static. A common mistake made in organizations when addressing health care costs is allotting resources to address employees' high-cost conditions while disproportionately offering fewer resources to those employees who are "healthy." A low-risk individual today can become a high-risk individual tomorrow.

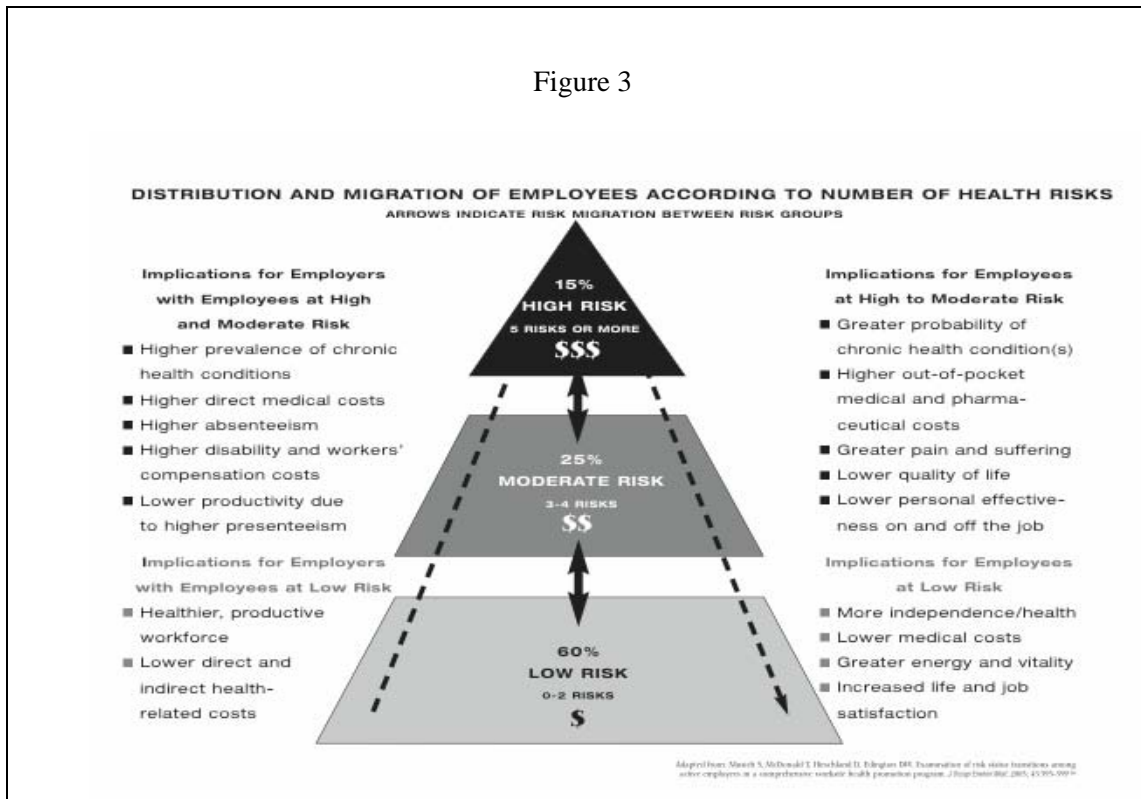
Two crucial steps in acquiring a clear view of the total risk picture are: to establish baseline benchmarks in defining risk distribution and to observe the migration between risk groups.<sup>42</sup> Employee populations are typically stratified into three categories: low risk, moderate risk, and high risk (see Figure 4). Consider these questions:

- What is the risk profile (distribution) of the organization?
- What percentage is classified as low risk?
- What are the most prevalent risks?
- Can risk-related costs be identified?

The percentage of the employee population that is at low risk should serve as a gold standard for success in building healthy workforce. Organizations can shift their planning focus from "the cost of health care to the total value of health" by aiming to increase the percentage of low-risk employees (market share) to more than 70 percent and keeping healthy employees healthy. This strategy will enable employers to increase market share, while also lowering the total cost trend.<sup>43</sup>

Further, employers must understand that investment in health is free. The resources an organization invests in health management will likely be matched by the return in lower health care utilization, pharmaceutical costs, absenteeism, and presenteeism—similar to quality and safety initiatives.

Figure 3



### Integrating Data, Integrating Decisions

Many larger organizations are moving to integrated data management systems.<sup>44</sup> The most basic of these systems rely on analytical software to link a series of separate, health-related databases and to identify meaningful correlations. For example, the medical cost data for an employee with diabetes may appear in one database; absenteeism records in another; and pharmaceutical expenses in yet another. Integrating these data enables a far more realistic analysis of the cost of diabetes than does viewing each separately.

Data integration can provide answers to questions such as:

- What trend is expected in health care spending based on the demographics and health status of our employee population?
- Based on prevalence rates for specific diseases (e.g., diabetes, asthma, heart disease), how can health benefits be designed to drive effective treatment adherence and control overall costs?
- Which chronic diseases contribute to the largest number of sick days?
- How does treatment noncompliance impact absenteeism?
- What is the total cost experience of employees on disability compared to those not on disability?
- What is the break-even point? For example, based on integrated data related to health risks and medical expenditures, Motorola determined that its employees would need to reduce their lifestyle-related health risks by just 1.08 percent to 1.42 percent per year for health promotion programming to break even.<sup>45</sup>

Measuring benchmarks and identifying meaningful correlations in health trends will enable benefit managers to make more strategic decisions that will empower employees to make a sustained commitment to their health.

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Special thanks to the Centers for Disease Control and Prevention for the use of the photograph on the first page.



## Endnotes

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