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Spring 2014

What are the Proven Financial Benefits of Health and Wellness Programs?

John Stahno
Cornell University

Joy Chow
Cornell University

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What are the Proven Financial Benefits of Health and Wellness Programs?

Abstract

The implementation and growth of Health & Wellness programs has become a very hot topic for companies seeking to obtain maximum returns on their health investment dollars. According to a 2011 PwC Health and Well-being Touchstone Survey of approximately 1,700 companies, 73% reported offering wellness programs to eligible employees. However, the big question in this platform is not figuring out what to implement, but how to measure what has been implemented. According to a National Business Group on Health and Fidelity Investments survey, "only one-third of employers have measurable goals/targets for their health improvement programs, and 59% of employers don't know their return on investment (ROI)." In order to ensure an effective design and implementation of health and wellness programs, it is important to establish a practical measuring system that can accurately track its performance and evaluate its results.

Keywords

human resources, benefits of health and wellness programs, health and wellness, benefits, benefit measurement

Comments

Suggested Citation

Stahno, J. & Chow, J. (2014). *What are the proven financial benefits of health and wellness programs?* Retrieved [insert date] from Cornell University, ILR School site: <http://digitalcommons.ilr.cornell.edu/student/60>

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EXECUTIVE SUMMARY

FINAL QUESTION

What are the proven financial benefits of Health and Wellness programs? Specifically, how do we measure those benefits, and what are some of the factors that we would use to quantify them?

INTRODUCTION

The implementation and growth of Health & Wellness programs has become a very hot topic for companies seeking to obtain maximum returns on their health investment dollars. According to a 2011 PwC Health and Well-being Touchstone Survey of approximately 1,700 companies, 73% reported offering wellness programs to eligible employees.¹ However, the big question in this platform is not figuring out what to implement, but how to measure what has been implemented. According to a National Business Group on Health and Fidelity Investments survey, “only one-third of employers have measurable goals/targets for their health improvement programs, and 59% of employers don’t know their return on investment (ROI).”² In order to ensure an effective design and implementation of health and wellness programs, it is important to establish a practical measuring system that can accurately track its performance and evaluate its results.

PROVEN FINANCIAL BENEFITS OF HEALTH & WELLNESS PROGRAMS

In recent years, there has been significant discussion of whether or not health and wellness programs actually work. Below we have highlighted proven financial benefits of company health and wellness programs.

Harvard University study

In 2010, Harvard University conducted an analysis of 32 peer-reviewed studies, and found that medical costs fell by about \$3.27 for every \$1.00 spent on wellness programs.³ Additionally, Harvard found that absenteeism costs fell by \$2.73 for every \$1.00 spent on wellness programs.³

Company success stories

a) Johnson and Johnson: According to another Harvard study, J&J has saved \$2.71 for every \$1.00 spent on its wellness program from 2002 to 2008.⁴ Furthermore, J&J leaders estimate a whopping \$250 million saved in the past decade as a result of its wellness program.

b) Highmark Inc.: Highmark, a 12,000 employee healthcare company, conducted an in-depth analysis of its health preventive and condition management programs. In its study, it reviewed medical claims of 1,900 employees who had participated in its wellness programs between 2001 and 2005 with the claims of employees with similar health risks who did not participate.⁵ With this information, Highmark identified that its program had resulted in savings of \$1.3 million; this was due to participating employees having \$176 lower annual health care expenses.

c) Pepsi Co.: Rand Corp. recently conducted a study of Pepsi Co.’s Healthy Living wellness program, specifically evaluating the experiences of Pepsi Co.’s employees who were eligible for its disease

management or lifestyle management program.⁶ The findings were significant, and Pepsi Co. learned that its disease management program reduced costs by \$136 a month for participating employees, as a result of 29% less hospital admissions.⁶ However, Pepsi Co. determined that its lifestyle-management program alone had resulted in little to no reduction in costs.

MEASURING & EVALUATING PROGRAM METRICS

Research shows that effective measurement tools allow companies to evaluate the Return on Investment for Health and Wellness programs, both qualitatively and financially. Below we have provided two methods for measuring and evaluating metrics of health and wellness programs.

1. The Wellness Scorecard (WSC)

Establishing a comprehensive scorecard can significantly ensure the wellness programs align with the company's strategic business goals and provide 360-degree measurements to solicit feedback and evaluate results. According to Marisa Berley, Alexandra Berley, and Peter Brewer, "the Wellness Scorecard organizes measures into four new categories: attitudes, participation, physical results, and financial results."⁷ By improving employee attitudes toward a Corporate Wellness Program, companies will drive employee participation in wellness activities, thereby resulting in desired health and financial results.⁷ (APPENDIX A). In order to ensure that the wellness scorecard is effective, it is essential to measure year-on-year changes of employee participation in the programs, the number of health risk assessments completed, and the number of employees moving from the high to low health risk category.

2. Calculating Return on Investment

Debra Wein, president and founder of Wellness Workdays, provides two methodologies for effectively measuring the Return on Investment for health programs. Her first approach is to "determine the ratio of medical expenses that would have occurred without the program, vs. the total costs of the wellness program."⁵ For instance, if the trend was 10% per year for the last five years and becomes 7% the year(s) following the implementation of the wellness program, the cost savings can be measured."⁵ This approach, while less in-depth, can be a great beginning step in determining if a health and wellness program has had a positive financial impact. Debra's second approach to calculating ROI is through the measurement of health risk factors and health care costs. Through the usage of Health Risk Assessments, employers can identify employees who have low, medium, and high health risks.⁵ By surveying uptake/utilization of these employees in the health program, companies can then track which employees are moving from the high-risk category toward the low-risk category. By reducing high health risks, employers will increase cost savings.

CONCLUSION

In light of our research and findings, it is clear that many companies are becoming increasingly interested in ways to measure health and wellness program success. However, we also found that the criteria for which these companies measure success are different, and results can vary industry to industry. To effectively measure this firm's Return on Investment of its health and wellness program, we recommend starting with Health Risk Assessments. By using captured data that identifies employee health risks, and tracks uptake/utilization of program services, the company can identify if program utilization has resulted in employees lowering their health risks, through reduced claims and hospital visits.

APPENDIX A: WELLNESS SCORECARD

The Wellness Scorecard: Examples of Goals and Measures

WSC Category	ATTITUDES	PARTICIPATION	PHYSICAL RESULTS	FINANCIAL RESULTS
Examples of Goals	<p><i>Increase Employee Satisfaction with:</i></p> <ul style="list-style-type: none"> ❖ Wellness culture ❖ Wellness incentives ❖ Fitness amenities ❖ Educational materials 	<p><i>Increase Employee Participation in:</i></p> <ul style="list-style-type: none"> ❖ HRAs ❖ Group fitness classes ❖ Fitness amenity use ❖ Counseling programs 	<p><i>Decrease:</i></p> <ul style="list-style-type: none"> ❖ Number of medical claims ❖ Number of injury/disability claims ❖ Absenteeism ❖ Presenteeism ❖ Number of high-risk HRAs 	<ul style="list-style-type: none"> ❖ Decrease cost of medical claims ❖ Decrease cost of pharmaceutical drugs ❖ Decrease temporary labor costs ❖ Increase return on investment of CWP program
Examples of Performance Measures	<ul style="list-style-type: none"> ❖ Average employee satisfaction with wellness culture ❖ Average employee satisfaction with incentives ❖ Average employee satisfaction with education topics and methods 	<ul style="list-style-type: none"> ❖ Educational program participation rates ❖ Amenity usage rates ❖ HRA completion rates ❖ Counseling program completion rates 	<ul style="list-style-type: none"> ❖ Number of medical claims filed ❖ Number of injury/disability claims filed ❖ Average sick-leave days per employee ❖ Total number of pounds lost per period ❖ Summaries of collective biometric data 	<ul style="list-style-type: none"> ❖ Average medical claim expenditures per employee ❖ Average pharmaceutical drug expenditures per employee ❖ Average temporary labor cost per employee ❖ Return on investment

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