

The New Frontier of Wellness

by Ann D. Clark

Businesses should focus on a proactive solution to rising health care costs, using integrated wellness programs that emphasize condition management and total health and well-being. If corporations wish to remain competitive, profitable and successful in attracting and retaining topnotch talent from all generations, they are going to have to start investing in and thinking creatively about wellness offerings. Not only do wellness programs have a proven track record of success in reducing health care costs, they also resonate loud and clear with modern-day employees who are determined to work for a company that understands their needs and is willing to make progress with the employee's best interests in mind.

Inurance premiums are continually rising, malpractice lawsuits abound and employers nationwide are losing millions of dollars each year as a direct result of increasing health care costs. Many refer to this current state of affairs as a health care crisis. As Washington lawmakers debate the issue, progress on the health care front is slow at best. Corporations are faced with a choice: Wait or act now.

THE STARTLING STATISTICS ON HEALTH CARE COSTS

The numbers do not lie. U.S. health care costs doubled from 1990 to 2001 and are projected to double by 2012.¹ It is currently estimated that 133 million Americans are suffering from at least one chronic condition, such as arthritis, asthma, depression, diabetes and heart disease, among many others.² Those with chronic conditions also account for 76% of hospital admissions, 88% of all prescriptions filled and 72% of all physician visits. The costs associated with treating the suffering and disability caused by chronic diseases account for 78% of the United States' total medical care costs, including almost 80%

of Medicaid expenditures.³ And 50% of health care expenditures have also proven to be lifestyle related—that is, preventable.

These startling statistics turn into staggering health care bills for employers and corporations each year. Four out of the ten most costly health conditions affecting employers are related to heart disease and stroke.⁴ Employees with heart disease and heart disease risk factors cost employers thousands of dollars more than healthy employees each year due to increased insurance expenditures. In addition to heart-related risks, obesity at the workplace has become a growing concern for employers across the country. Blue Cross Blue Shield of Massachusetts found that with every 1% increase in body mass index (BMI), an individual's annual health care costs increase \$120.⁵ Employers spend an additional \$226 billion a year—an average of \$1,685 per employee—on absenteeism, low productivity and other indirect costs of individual and family health problems, according to the nonprofit organization Partnership for Prevention.

While 50% of health care expenditures have proven to be lifestyle related, corporations are still primarily taking a reactive approach to the problem. Businesses should instead focus on a proactive solu-

tion to rising health care costs, using integrated wellness programs that emphasize condition management and total health and well-being.

THE UTILIZATION FACTOR

Over the past few years, the nation as a whole has become more aware of the negative effects of unhealthy lifestyle behaviors and how these behaviors have contributed to such prominent health crises as the obesity epidemic, the increase in Type 2 diabetes among children, and a wide range of other chronic diseases or conditions. In turn, more and more corporations have woken up to the benefits of wellness at the workplace and have put forth large amounts of money, resources and overall effort into developing and expanding workplace wellness initiatives. According to surveys conducted by the Society for Human Resource Management (SHRM), 47% of companies offer health screening programs, up from 40% in 2003. Forty percent of employers offer smoking cessation programs, up from 32% in 2003. Another 32% of companies offer weight loss programs, up from only 25% in 2003. These numbers are expected to increase exponentially as more companies recognize the significant benefits of wellness programs at the workplace.

Thomas Lee, vice president of global sales for a leading specialty benefits corporation, believes that wellness will be the driving force behind his company's revenue growth in the next two years: "Wellness is the new must-have in corporate benefits packages. The companies that are concerned about staying competitive are looking for much more than an on-site workout facility; they want the full wellness package with integrated services. While my company's employee assistance program (EAP) services rank eighth largest in the nation, I estimate that wellness will account for at least 50% of revenue by 2010."

Wellness packages are also beginning to expand by addressing the "emotional" or "mental" side of health issues—an integrated approach to health and well-being. Certain health problems go beyond poor lifestyle choices and bad habits, and in fact, are rooted in deep psychological issues such as addiction or depression. In these cases, poor health is merely a consequence of a greater mental health problem. For this reason, wellness programs need to incorporate the mental side of getting healthy. Support groups, counseling and even rehabilitation services are highly useful in addressing the emotional side of wellness. These services are what make the difference as integrated and full-spectrum wellness solutions become the norm.

Now that decision-making executives are beginning to focus more on developing wellness programs at the workplace, utilization becomes the next biggest challenge. According to a recent study conducted by SHRM, 84% of Americans say they would work out more if their companies had exercise programs. Fifty-five percent of companies surveyed report having either on-site gyms or gym membership reimbursement plans. While those statistics should indicate high utilization numbers, only 15% of workers actually use their job's on-site gym or take advantage of the reimbursement. It is difficult for employers to justify spending money on wellness programs when they see low utilization numbers. Furthermore, people who are already healthy and fit are more likely to take advantage of the wellness programs than those who could actually benefit most from the programs. There are, however, a few key factors that have proven to dramatically increase wellness utilization among employees: regular activities with ongoing promotion and publicity; the presence of one or more on-site wellness leaders; and strategic incentives, both reward and penalty based.

INNOVATIVE DELIVERY AND PROMOTIONAL TECHNIQUES

To boost employee engagement in wellness activities, employers are getting creative with their offerings. Some are hosting companywide "Biggest Loser" contests or Olympic-style athletic events; others are setting up virtual communities and support groups to help with various issues; and many have begun extending offerings to the whole family, a strategic move to ensure that healthy living practices are incorporated at home as well.

Employers are also realizing that wellness will not be successful with a one-size-fits-all approach. These programs need to encompass health solutions for a broad workforce. For example, some people work better in groups, and find much-needed support and encouragement by participating in team-oriented health and fitness exercises. Employers have even started combining team building into wellness efforts with extreme sports challenges and competitions, similar to a real-life "Amazing Race" or "Survivor." Other employees may prefer one-on-one, personalized attention from a trainer, nutritionist or fitness coach. There is a program or solution that will work for every personality type, generation and lifestyle—It is just a matter of providing employees with enhanced, expanded offerings and the tools to succeed.

One southern California-based benefits company

found great success by hosting daily yoga sessions at the workplace. For this company, yoga was the perfect activity for its older and younger employees to jointly participate in. It also targeted two crucial aspects of wellness: physical and mental health. Daily yoga increased employees' physical strength and flexibility and simultaneously acted as a destressor.

An account executive stated, "I take advantage of all the yoga sessions because it is the only time I am able to get any sort of physical activity and that way I can spend time at home with my family." Another employee states, "After sitting at a desk for two hours, I'm due for a stretch! The yoga session is just what I need to revive and get reenergized for work." An information technology specialist also attests to its intangible effects: "Programs like this make me feel like my company truly cares about and invests in my well-being. It makes me proud of where I work, and I can say from experience, that feeling is rare."

The presence of an on-site wellness leader, either full or part time, is highly effective in engaging and motivating employees. Danelle Pereira, director of wellness for a national corporation, is a firm believer in on-site leadership, stating "Although I send out calendar reminders and monthly notices for our ongoing wellness activities, I see huge turnout for wellness programs when I physically go door to door in the office building and motivate people to participate." If someone is consistently promoting wellness activities on a daily, weekly or even monthly basis, employees are sure to take greater notice and utilization numbers will rise.

Communication is crucial; just as corporations publicize and promote company news, they need to continually publicize and promote their wellness programs through regular and frequent e-blasts, newsletters and advertisements.

The Internet is another great tool for communicating corporate wellness initiatives. Most of today's leading wellness programs include a comprehensive wellness Web site for all employees to access. These sites include surveys, online health risk assessments, virtual communities, the latest news and information, advice from medical experts, and countless other resources. People are accustomed to getting answers quickly. For those recently diagnosed with an illness or condition, or simply looking for the best method to shed five pounds, the Internet is one of the first places employees will visit for information. A high-quality wellness Web site is the perfect tool to reach the modern day workforce, promote ongoing wellness initiatives and provide a customized "go-to" source for employees to access information on health-related issues.

INCENTIVE PROGRAMS— CARROT VS. STICK

Numerous recent studies attest to the increasing popularity of corporations' use of incentives to encourage employee participation in wellness initiatives. Beyond financial rewards, companies are offering spa packages, tickets to sporting events or entertainment shows, increased paid time off and other gift certificates as enticement. Nearly two-thirds of U.S. employers that offer health management programs also offer incentives to encourage employee participation, according to a recent study jointly conducted by the ERISA Industry Committee and the National Association of Manufacturers, both based in Washington, D.C., and IncentOne, a New Jersey-based provider of incentive programs to employees. Out of the 305 respondents from 242 major U.S. corporations and midsized to large manufacturers, 76% are currently implementing some sort of health management program.

The incentives tied to these programs vary based upon the type of program and its corresponding participants. For example, an incentive that reduces an employee's out-of-pocket health care and preventive care expenditures may be tied to a condition management program, while a reduction in insurance premiums may be offered to those completing a health risk assessment. The study found that the most common incentive offered across the various health management programs was premium reductions, with 40% of companies offering that incentive. The second most common incentive was cash or bonuses, which 29% of companies offered. Merchandise, gift cards and health account contributions were offered by one-fifth of the respondent companies. (See Figures 1 and 2.)

IBM has become a model employer for successfully incorporating wellness at the workplace. It has invested large amounts of money and resources into

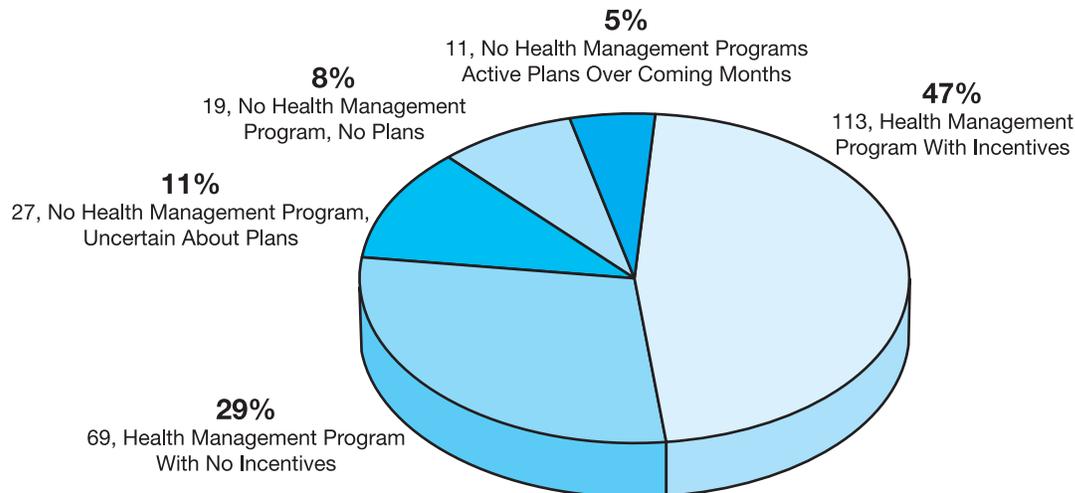
► THE AUTHOR

Ann D. Clark, Ph.D., is founder and CEO of ACI Specialty Benefits, an international employee assistance program. She is a motivational speaker, lecturer and commentator. Clark received her doctorate from the University of Wisconsin and completed postdoctorate research on alcoholism and sexuality at the University of New Mexico.

FIGURE 1

STATUS OF HEALTH MANAGEMENT PROGRAMS

Employers Report on Whether and What Type of Programs Are Offered



These results suggest a high penetration of at least some component of health management within each employer setting, indicating that there may be only modest market growth for new programs over the coming 18 months and/or growth will come from expansion of current program offerings. Most large employers already have programs, and among those that do not, only a relatively small number are actively planning to implement programs. Almost 30% of companies with programs do not currently use incentives.

Source: IncentOne.

promoting healthier lifestyles for employees and their families. According to a recent story that ran in the *Boston Globe*, IBM has spent \$130 million on wellness programs since 2004. Their latest initiative for U.S. workers promotes nutrition and exercise for children, something most companies overlook. IBM's children's program utilizes Webcasts, online tools and followup e-mails to engage children and encourage health and fitness at home. For this program, an IBM parent will receive a \$150 cash payment after participating for at least 12 weeks. IBM also has cash incentive plans to encourage employees to quit smoking, get active and lose weight with healthier diets. U.S. employees who participate in nutrition, exercise and health screening programs can receive cash rebates of \$150 per program. Last year, half of the company's U.S. employees earned rebates.⁶

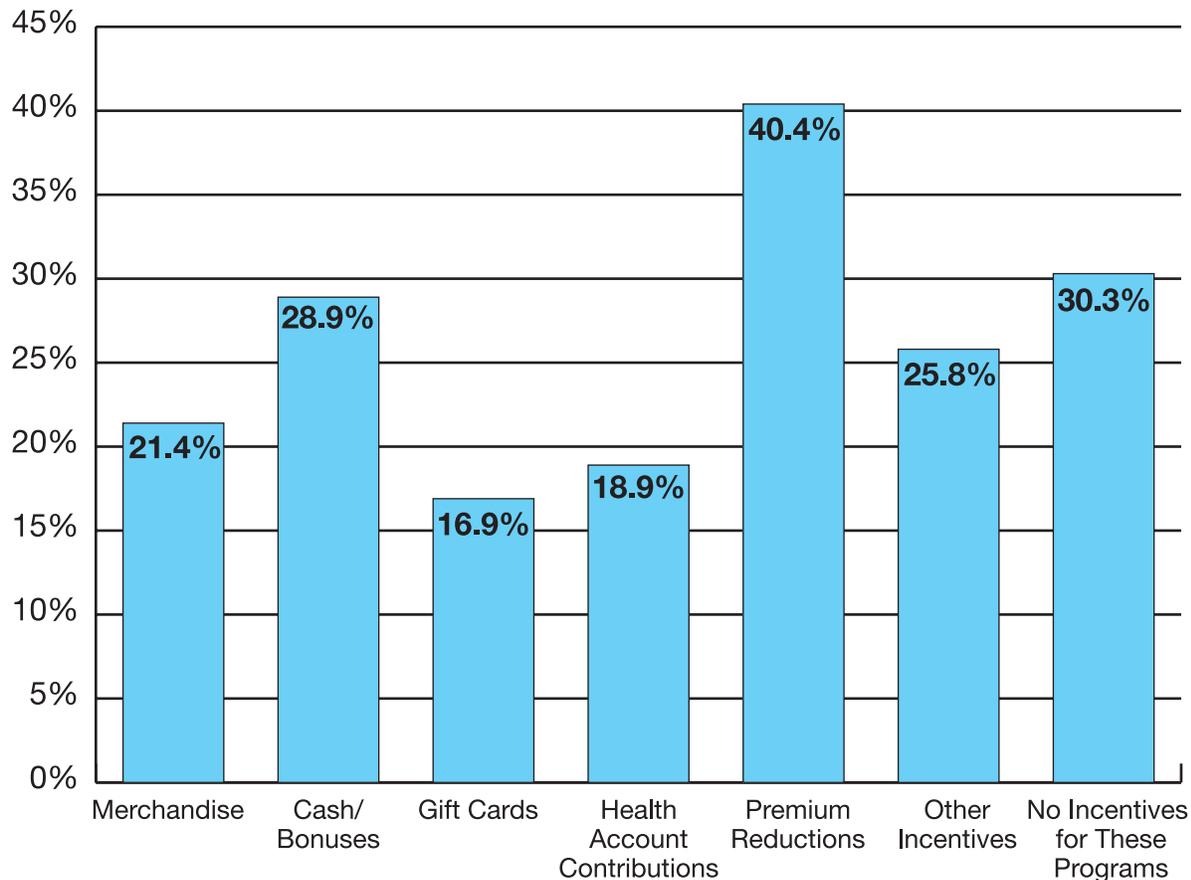
There are, however, many who object to the notion of using reward-based wellness incentives. These individuals argue that the incentive is actually "better health," and people should not become accustomed to getting paid or rewarded for taking care of themselves. While that argument is logically sound, it

is not based in current reality. The fact is, most people do not want to know how unhealthy they are; most people do not enjoy working out; and most people do not want to change their eating habits. Incentives give people a reason to begin change. Once the awareness sets in regarding their actual health and potential risks, people are much more inclined to begin new and healthier routines and habits. The incentive simply serves as motivation for employees to create better and healthier lifestyles.

While many companies have found success by using financial reward incentives to encourage participation in health and wellness activities, some companies will begin penalizing employees if they allow health risks such as tobacco use, obesity or high cholesterol to go unchecked. The *Washington Post* recently reported that starting in January 2008, Tribune Company will require its employees to pay \$100 a month more in insurance premiums if they or any of their covered family members smoke. The same article also mentions a new plan by the Okemos, Michigan office of Meritain Health, a provider of self-funded health plans, to stop employing smokers.

FIGURE 2

PERCENT OF PROGRAMS WITH INCENTIVES
By Type of Incentive, for Disease Management,
Health Management or General Wellness Programs



This chart includes only respondent companies with programs that used incentives. Nine respondents for companies in this group terminated the survey before completing this set of questions.

Source: IncentOne.

Employees were given one year to quit smoking before the policy went into effect. Four who did not stop smoking lost their jobs. The company also announced it would dock \$50 per paycheck from any employee whose spouse smoked and refused to take part in a smoking cessation program. These “penalization” incentives may seem drastic; however, Meritain Health reports that all spouses affected have enrolled in such a program and no one has yet been docked.⁷

Clarian Health, an Indianapolis-based hospital system, drew media attention this past summer when it announced that it would begin charging employees for unhealthy behaviors. The program will assess \$5

per paycheck fees on employees who do not meet minimum standards for body mass index, cholesterol, blood glucose, blood pressure and nonuse of tobacco.⁸ Although it will not be fully implemented until 2009, the effort was announced this year so that employees would have plenty of warning.

LEGAL MATTERS

For all employers considering implementing punitive and/or reward-based incentives, it is important that they consult legal counsel to ensure that all facets of the program comply with the Health Insurance Portability and Accountability Act (HIPAA), Ameri-

cans with Disabilities Act (ADA), National Labor Relations Act and other state laws.

ADA prohibits employers from making medical inquiries or requiring medical examinations unless job related and consistent with business necessity. It prohibits firing or other negative recourse on the basis of disability. On the other hand, the Equal Employment Opportunity Commission has said that employers may conduct medical examinations and related activities as part of a voluntary wellness program, without violating ADA.

HIPAA also has numerous nondiscrimination provisions that prohibit group health plans from charging similarly situated individuals different premiums, deductibles or copayments, or offering rewards based on a health factor. If a reward is based on a voluntary program, however, as is the case with most wellness programs, the following activities would be acceptable: reimbursing the cost for fitness center memberships; offering diagnostic testing programs that reward participations, but do not base the reward on outcomes; and reimbursing employees for the costs of smoking cessation programs, regardless of the outcome.⁹

Privacy is a major concern of employees when considering opting into voluntary wellness programs. Employees are skeptical of where their medical information is being stored, whom it may be shared with and in what circumstance it may come back to haunt them. Employers usually ensure “confidentiality” in all health screenings and other surveys to help quell the fears of privacy breach. For this reason, employers must ensure that their wellness programs meet HIPAA’s privacy regulations. As benefit plans become more integrated with disability, disease management and mental health programs, information becomes shared across numerous vendors and consultants. Normally, a comprehensive authorization form for the release of medical information from employees filing disability or wrongful termination claims is necessary to protect employers from state laws when an employer’s vendors are sharing data that identifies individuals and their health issues.

RETURN ON INVESTMENT

According to the Wellness Councils of America, every dollar a company spends on wellness programs pays back \$3 in health care costs. A 2003 analysis of 32 studies of corporate wellness programs by Aurora Healthcare, a not-for-profit Wisconsin organization, found that hospital admissions dropped by 62.5%, disability costs dropped by 34.4%, claims costs fell by 27.8%, injury incidents dropped by 24.8% and trips to the doctor dropped by 16.5%.

The studies are endless, and the result is: Wellness works. For example, Sid Peterson Memorial Hospital in Kerrville, Texas began a comprehensive wellness program three years ago. In a recent press release, the hospital boasted that 136 employees lost 921 pounds and cut their body mass index (BMI) by an average of 1.8 points in just 63 days. As a result, the hospital’s health insurance premiums have decreased by 9.1%, which equates to \$58 per employee per month, \$105 per employee and spouse, and \$109 per employee and family per month.

Return on investment (ROI) is difficult to measure, expensive and usually takes at least three to five years of intense analysis. Beyond the impact on the bottom line, corporations also need to look at the other positive effects of wellness programs. For instance, organizational productivity is increased when employees are healthy and active, with less absenteeism and visits to the doctor. Also, as employers are trying to tap into the values of Generation Y (the millennials), wellness is a major factor. This generation is looking to be part of something “great,” part of a company that appreciates their time and investment. They are looking for an avant-garde corporate culture, and wellness is the kind of perk that demonstrates an investment in corporate culture. Wellness programs are an effective way to showcase employers’ care about their employees. In that regard, ROI will be evident in less turnover, better recruitment and future success. ◀

Endnotes

1. Partnerships for Prevention, an organization of CEOs dedicated to health promotion advocacy, www.prevent.org.
2. Improving Chronic Illness Care (home page on the Internet), www.improvingchroniccare.org/change/index.html, cited November 20, 2007.
3. L. Faulker, *Disease Management: The New Tool for Cost Containment and Quality Care*, Issue Brief, National Governor’s Association Center for Best Practices, February 2003, p. 2.
4. Health Care Costs of Worksite Health Promotion Participants and Non-Participants. *Journal of Occupational & Environmental Medicine*. 40(4):341-346, April 1998. Ron Z. Goetzel, Ph.D.; Bert H. Jacobson, Ed.D.; Steven G. Aldana, Ph.D.; Kris Vardell, M.S.; Leslie Yee, M.D., MPH.
5. *Boston Globe*, March 22, 2006.
6. *Boston Globe*, November 18, 2007.
7. Washington Post.com, www.washingtonpost.com/wp-dyn/content/article/2007/11/09/AR2007110902109, cited November 21, 2007.
8. Workforce.com, www.workforce.com/section/02/feature/25/00/78/index.html, cited November 21, 2007.
9. Steve Bruce. (2007, November 15). “Wellness: A Win-Win If You Avoid Legal Pitfalls.” *HR Daily Advisor Newsletter, Business and Legal Reports*. Retrieved November 15, 2007 from hrdailyadvisor.blr.com/archive/2007/11/15/Corporate_wellness_legal_pitfalls_programs_how_to.aspx

Copyright of *Benefits Quarterly* is the property of International Society of Certified Employee Benefit Specialists and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.