

# ***Leading by Example: Creating a High Performance, Less Costly Workforce: CEOs on the Business Case for Worksite Health Promotion***

Controlling Health Care Costs with a Healthy Workforce

Iowans for Wellness & Prevention and the Greater Des Moines Partnership  
December 6, 2006

Garry Lindsay



## Agenda

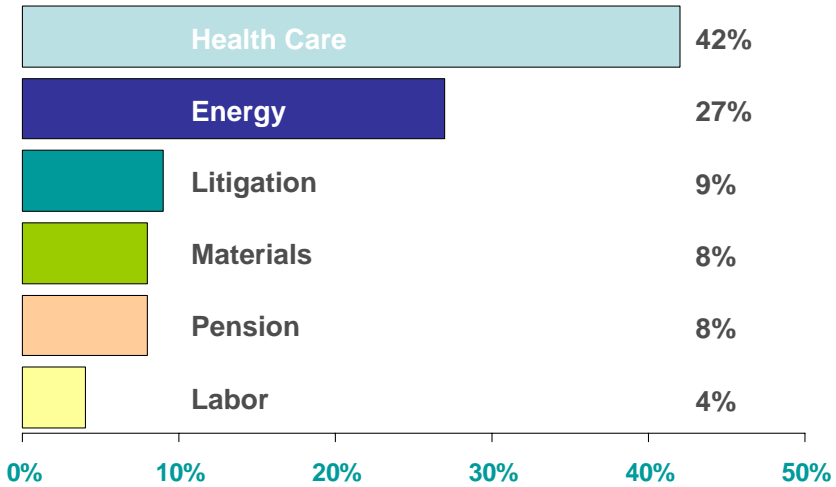
- Key Trends in Health Care
- Logic & Evidence Supporting the Business Case for Investment Workforce Health
- Importance of CEO Involvement

## Key Points

- The growth, and in some cases, the very sustainability of business is linked to employee health.
- The health care system needs to be transformed from one that is focused on disease, to one that focuses on prevention.
- The indirect costs of poor health (e.g., absenteeism, disability, presenteeism) are two to three times higher than direct medical costs.
- Leveraging the workplace to improve health is good for employees and good for business.
- Forward-looking have gained bottom line benefits from their investments to keep employees healthy.
- Direct CEO communication is most effective in getting other CEOs to recognize and adopt proven strategies that increase a company's return on its most important asset: its human capital.

Investing in employee health produces a clear return on investment

## CEOs' Leading Cost Concerns

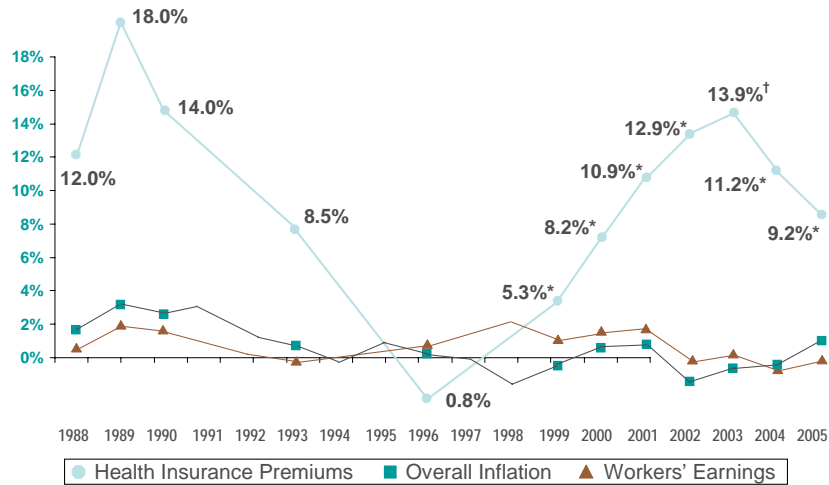


Business Roundtable CEO Economic Outlook Survey, December 2005

### Slide 4: CEO Leading Cost Concerns

CEO Economic Outlook Survey - December 2005, for the third consecutive year in a row, Business Roundtable cited health care costs (42 percent) as Corporate America's number one pressure.

## Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2005



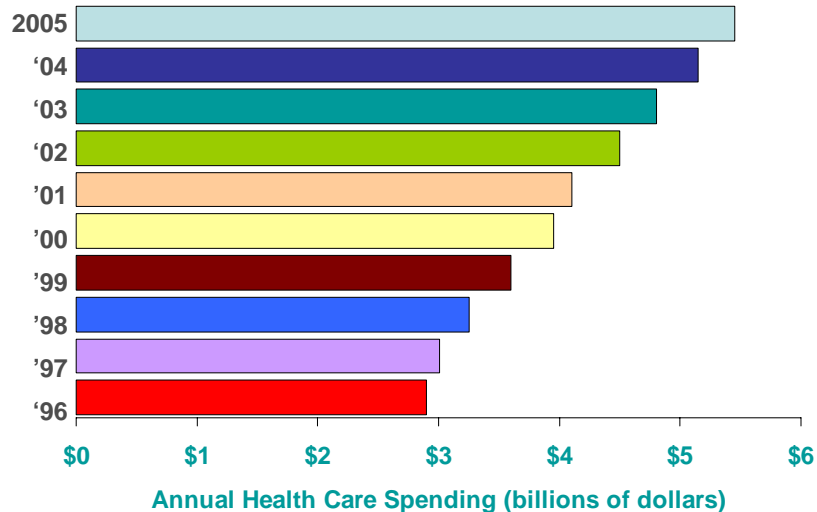
\* Estimate is statistically different from the previous year: shown at p<0.05. No statistical tests were conducted for years prior to 1999.  
 † Estimate is statistically different from the previous year: shown at p<0.1. No statistical tests were conducted for years prior to 1999.  
 Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.  
 Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1968, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index (U.S. City Average of Annual Inflation (April to April), 1988-2005); Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 1988-2005.

### Slide 5: Increases in Health Insurance Premiums Compared to Other Indicators 1988-2005

2004 marked the fourth year of double digit cost increases in health insurance premiums outpacing inflation and workers earnings.. Since 2000, premiums have grown by 73%, compared with cumulative inflation of 14% and cumulative wage growth of 15%.

([www.kff.org](http://www.kff.org))

## GM Spends More on Health Care than Steel



General Motors

### Slide 6: GM Spends more on Health Care than Steel

"General Motors estimates that health care costs add about \$1,500 to the cost of each vehicle it makes in the United States. Chrysler claims a health care cost of \$14,00 per vehicle. Ford say its burden is \$1,100."<sup>1</sup>

1. Porter E. Japanese Cars, American Retirees; Makers Put Health and Pension Burdens Squarely on the Workers. *New York Times*. May 19, 2006, 2006;Section C: Page 1.

Health care costs are higher than the glass and steel used to make the vehicle. "Much more than any other part. What you're doing when you're buying a car is you're spending a lot of money for the health care benefits of workers who are making that car

6/24/2005 11:55 AM Ailing GM looks to scale back generous health benefits

By Julie Appleby and Sharon Silke Carty, USA TODAY

[http://www.usatoday.com/money/autos/2005-06-22-gm-healthcare-usat\\_x.htm](http://www.usatoday.com/money/autos/2005-06-22-gm-healthcare-usat_x.htm) The cost of providing health care adds from \$1,100 to \$1,500 to the cost of each of the 4.65 million vehicles GM sold last year, according to various calculations. GM expects to spend at least \$5.6 billion on health care this year, more than it spent on advertising last year.

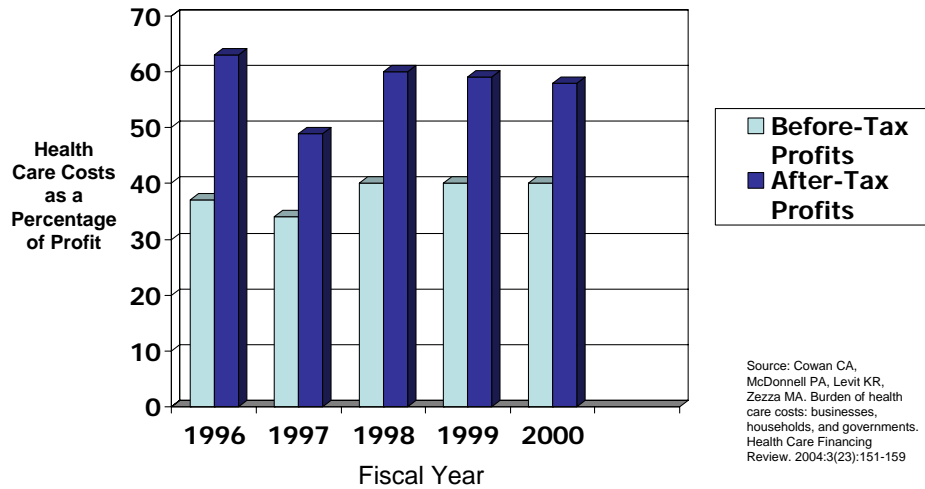
GM's Difficult Road Ahead --

<http://www.cbsnews.com/stories/2006/03/30/60minutes/main1458483.shtml>

April 2, 2006

GM has one of the most generous plans in America and provides it to 1.1 million people —

## Health Care Costs and Profit Margins



### Slide 7: Health Care Costs and Profit Margins

A big chunk of money companies earn are eaten up by health care costs. Approximately 60% of companies' after-tax profits are consumed by health care.

## Health risks drive health costs

- Changes in health costs follow changes in health risks.<sup>1,2,3</sup>
- When productivity measures are factored in, the costs are doubled or tripled.<sup>4,5,6,7,8</sup>
- Potential savings from average risk reduction is \$153 per person per year, compared to a savings of \$350 from risk avoidance (e.g. prevention).<sup>1,2</sup>

1. Edington DW.  
2. University of Michigan Health Management Research Center.  
3. Musich S, McDonald T, Hirschland D, Edington DW.  
4. Edington DW, Burton WN.  
5. Burton WN, Pransky G, Conti DJ, Chen CY, Edington DW..  
6. Pelletier B, Boles M, Lynch W.  
7. Goetzel RZ, Long SR, Ozminkowski RJ, Hawkins K, Wang S, Lynch W.  
8. Loepcke R, Hymel PA, Lofland JH, Pizzi LT, Konicki DL, Anstadt GW, Basse C, Fortuna J, Scharf T.  
[See Reference Slides for complete citations]

### Slide 8: Health Risks Drive Health Costs

Simply stated.

Read through first and second bullets –

Third bullet: Emphasize the point that keeping the healthy healthy is important.  
Risk reduction is an effective means of managing health care costs.

## Distribution & Migration of EEs According to Number of Health Risks



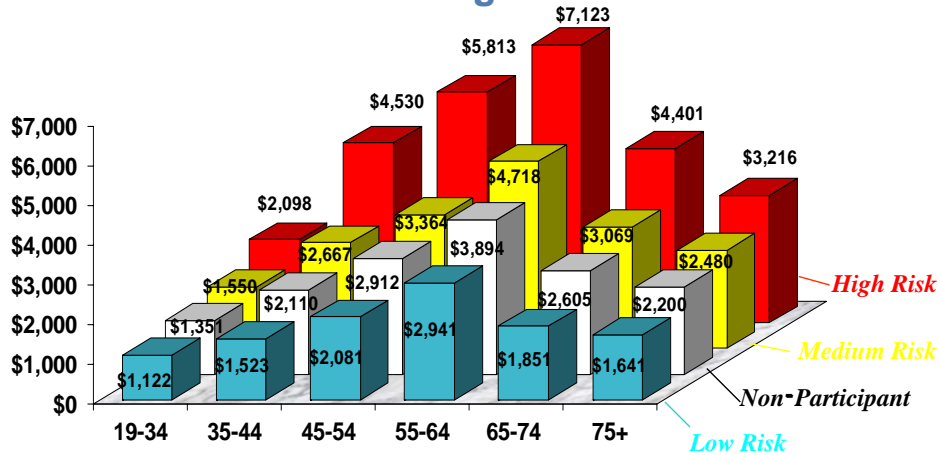
Adapted from: Musich S, McDonald T, Hirschland D, Edington DW. Examination of risk status transitions among active employees in a comprehensive worksite health promotion program. *J Occup Environ Med.* 2003; 45:393-399.16

### Slide 9: Distribution & Migration of EEs According to Number of Health Risks

Following from my last point, this image depicts the continuum of employees along health risks. As you can see, from the top of the pyramid, those employees who are high risk consume most of the health care dollars, where those at the bottom of the risk distribution consume less.

The image also exhibits both sides of the equation regarding implications on for both employees and employers.

## Costs Associated with Risks Medical Paid Amount x Age x Risk



Edington. AJHP. 15(5):341-349, 2001

### Slide 12 --

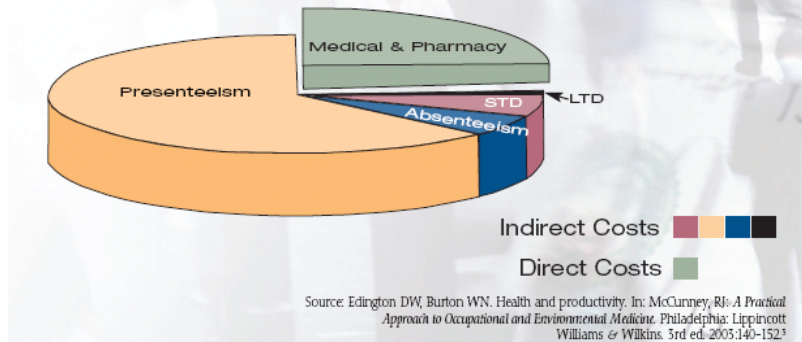
Relationship between risks and costs --- Premise that costs can be controlled through health management programs by taking risks out of the population. As risk increases within any age group costs increase and as age increases within any risk category costs increase.

See pages 10-11 from HMRC Research Update 2006

## The Total Cost of Employee Health

### IS YOUR ORGANIZATION AWARE OF THE TOTAL COST BURDEN OF POOR EMPLOYEE HEALTH?

Relative Contribution of Direct and Indirect Costs Within a Large Financial Services Corporation



### Slide 11: The Total Cost of Employee Health

The graphic shows that only a small portion of total health care costs are direct. (medical and pharma)

The majority of health related costs faced by organizations are indirect, e.g. presenteeism (being at work, but not being fully functional or “present” on the job), absenteeism. Presenteeism and absenteeism used to measure productivity....Productivity losses related to personal and family health problems cost employees \$1685 per employee per year, or \$225.8 billion annually.

## Savings per Dollar Invested in WHP Programs

From a review of 73 published studies of WHP programs<sup>9</sup>

- Average \$3.50-to-\$1 savings-to-cost ratio in reduced absenteeism and health care costs.

From a meta-review of 42 published studies of WHP programs<sup>10</sup>

- Average 28% reduction in sick leave absenteeism
- Average 26% reduction in health costs
- Average 30% reduction in workers' comp. & disability mgmt. claims costs
- Average \$5.93-to-\$1 savings-to-cost ratio

A comprehensive health management program at Citibank<sup>11</sup>

- \$4.56-\$4.73-to-\$1 savings-to-cost ratio in reduced total health care costs

9. Aldana SG.

10. Chapman LS.

11. Ozminkowski RJ, Dunn RL, Goetzel RZ, Cantor RI, Murnane J, Harrison M.  
[See Reference Slides for complete citations]

### Slide 12: Savings per dollar Invested in WHP Programs

Evidence gleaned from meta-analyses of studies conducted on the cost effectiveness of WHP programming shows that programming does in fact have a positive implication on the bottom line. Findings from two of the most respected studies from Aldana and Chapman are presented here.

## Importance of CEO Support

	Low Impact	Medium Impact	High Impact
High Control		<b>Effective Communications</b>  <b>Communicate Evaluation Results</b>	<b>Link Programs to Business Goals</b>
Medium Control		<b>Evaluation Component</b>	<b>Incentive Program</b>
Low Control		<b>Strong Budget</b>	<b>Supportive Culture</b>  <b>Top Management Support</b>

O'Donnell M. Health Promotion in the Workplace. 3rd ed. Albany, NY: Delmar; 2001, page 50.

### Slide 13: Importance of CEO Support

Two of the most critical elements in a successful WHP program are 1) supportive culture and 2) top management support – however, the average program manager has little control in affecting these two areas. Top-down approach is what has guided the creation and implementation of Leading by Example..

### Characteristics of the Best Workplace Health Promotion Programs\*

The best worksite health promotion programs in the United States had these eight elements organized in a matrix in terms of the impact of the element on program outcome and the level of control a typical program manager would have over building that element into their program. Not surprisingly, a supportive culture and top management support are very important in determining program success, however, the typical program manager has little control over how much support they receive from top management.

\* O'Donnell M. Health Promotion in the Workplace. 3rd ed. Albany, NY: Delmar; 2001, page 50.

## Leading by Example

- Often CEOs Not Aware of Business Case
  - Continual rises in health care costs can be reduced through health management initiatives
  - Employee health should be seen as an investment to be maximized rather than a cost to be minimized
    - ↑ Employee Performance ↑ Business Performance
- Peer Influence

CEO-to-CEO initiative

CEOs of Fortune 500 corporations

Governors

CEOs of small businesses

CEOs of leading institutions

Engaged in peer-to-peer communication about the business case for investing in workforce health

**LEADING *by* EXAMPLE**

**Including**

- Aetna
- American Specialty Health
- State of Arkansas
- CIGNA
- State of Delaware
- Dow Chemical
- GM
- Highsmith Inc
- Home Depot
- J&J
- Lands' End
- Navistar
- State of Ohio
- Pfizer
- Pioneer Hi-Bred
- Pitney Bowes
- Worthington Industries
- Union Pacific
- Commonwealth of Virginia
- Xerox

**IMPROVING THE BOTTOM LINE  
THROUGH A HIGH PERFORMANCE  
LESS COSTLY WORKFORCE**

**Macro Goal:**  
Transform the health system  
to emphasize prevention.

*Business Case for Worksite Health Promotion*

Partnership For Prevention®

## Leading by Example

Highlights the direct & indirect costs of poor health

- A peer-to-peer initiative to convince corporate agenda setters of the business case for investing in workforce health Transform the American healthcare system to emphasize prevention rather than treatment through CEO influence

**Finally. . .**

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**Finally. . .**

"Remember always to be grateful for the millions of people everywhere whose despicable habits make health education necessary"

Mohan Singh

**Pioneer Hi-Bred International, Inc.**

**Preventative Health Services**



Dean Oestreich  
President

## References

1. Edington DW. Emerging research: a view from one research center. *Am J Health Promotion*. 2001; 15(5):341-349.
2. University of Michigan Health Management Research Center. The worksite wellness benefit analysis and report. 1979-2004; 7-15.
3. Musich S, McDonald T, Hirschland D, Edington DW. Examination of risk status transitions among active employees in a comprehensive worksite health promotion program. *J Occup Environ Med*. 2003; 45(4):393-399.
4. Edington DW, Burton WN. Health and productivity. In: McCunney, RJ: *A Practical Approach to Occupational and Environmental Medicine*. Philadelphia: Lippincott Williams & Wilkins. 3rd ed. 2003:140-152.
5. Burton WN, Pransky G, Conti DJ, Chen CY, Edington DW. The association of medical conditions and presenteeism. *J Occup Environ Med*. 2004; 46(6) suppl:S38-S45.in health risks and work productivity over time. *J Occup Environ Med*.2004; 46(7):746-754.
6. Pelletier B, Boles M, Lynch W. Change in health risks and work productivity over time. *J Occup Environ Med*.2004; 46(7):746-754.
7. Goetzel RZ, Long SR, Ozminkowski RJ, Hawkins K, Wang S, Lynch W. Health, absence, disability, and presenteeism cost estimates of certain physical and mental health conditions affecting U.S. Employers. *J Occup Environ Med*. 2004; 46(4):398-412.
8. Loeppke R, Hymel PA, Lofland JH, Pizzi LT, Konicki DL, Anstadt GW, Basse C, Fortuna J, Scharf T. Health related workplace productivity measurement: general and migraine-specific recommendations from the ACOEM expert panel. *J Occup Environ Med*. 2003; 45(4):349-359.
9. Aldana SG. Financial impact of health promotion programs: a comprehensive review of the literature. *Am J Health Promotion*. 2001; 15(5):296-320.
10. Chapman LS. Meta-evaluation of worksite health promotion economic return studies. *The Art of Health Promotion*. 2003; 6(6):1-16.
11. Ozminkowski RJ, Dunn RL, Goetzel RZ, Cantor RI, Murnane J, Harrison M. A return on investment evaluation of Citibank, N.A., health management program. *Am J Health Promotion*. 1999; 14(1): 31-43.