

THE BUSINESS BENEFITS OF EMPLOYEE WELLNESS PROGRAMS



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What if you could raise employee productivity, help people be happier, lower costs, increase profit, and contribute to a better world all with a single incentive program?

Comprehensive and well-executed corporate wellness programs can achieve all these lofty goals. Though recent controversy has swirled around the question of direct return on investment (ROI) — i.e., Do wellness programs more than pay for themselves in reduced health costs? — research shows companies invest in wellness for a broad array of indirect benefits, as well as healthcare cost savings.¹ Moreover, even the question of direct ROI was answered affirmatively last year in a 51-study meta-analysis appearing in the peer-reviewed *American Journal of Health Promotion*.²

“US companies are tracking more wellness-related factors, doing it better, and becoming able to demonstrate that they’re reducing their risk,” says Leonard Spangher, Vice President and Senior Health Consultant at Sibson Consulting, a strategic

EMPLOYEE WELLNESS:
corporate culture programs that aim to reduce employee health risks and related costs while raising productivity and morale.

¹ *Beyond ROI: Building employee health & wellness value of investment*, Optum™, © 2015 Optum, Inc.

² Michael P. O'Donnell (2014) What Is the ROI of Workplace Health Promotion? The Answer Just Got Simpler By Making the Question More Complicated. *American Journal of Health Promotion*: July/August 2014, Vol. 28, No. 6, pp. iv-v.

human resources consultancy. “That doesn’t necessarily mean that every year they will have lower claims, but companies with high-quality wellness programs are increasing the odds they’ll save money — and producing a healthier, more productive workforce at the same time.”

Critical to success is that each company have its own customized wellness philosophy and design, because there is no one design that will work for everyone. Successful wellness programs are aligned with individual company cultures and employee needs.

Based on interviews and research, the key factors that raise excellent wellness programs above the rest are:

- **Financial support:** ensuring senior management understands the wellness program costs, potential economic value, and other benefits;
- **Philosophy:** comprehensive programs aligned with corporate cultural values are most successful;
- **Focus on top factors influencing health:** nutrition/healthy eating and fitness/exercise;
- **Communication and education:** effectively disseminating program information to foster participation and understanding;
- **Propagation:** fostering wellness champions.

Establishing Wellness Program Costs and Benefits

It makes intuitive sense that a healthier, fitter workforce incurs less healthcare cost and is more productive. Research supporting that intuition has piled up, from a 2010 study that found \$73.1 billion in aggregate extra healthcare cost directly attributable to overweight and obese employees,³ to the *American Journal of Health Promotion* meta-analysis mentioned above.

In what it called “the most thorough and rigorous systematic review of the literature conducted to date on the return on investment (ROI) of

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³ “The Cost of Obesity in the Workplace,” by Eric A. Finkelstein, Marco daCosta DiBonaventura, Somali M. Burgess and Brent C. Hale, *Journal of Occupational and Environmental Medicine* 52, no. 10 (October 2010): 971–76, doi:10.1097/JOM.0b013e3181f274d2.

workplace health promotion programs,” the Journal reported an ROI of 2.38 (meaning, in dollar terms, that every dollar invested in wellness programs returned the original dollar plus \$2.38).^{4,5} According to the January 2015 article, the 51 studies on which the analysis was based involved 261,901 participants and 122,242 controls from 9 industry types in 12 nations; the 51 studies were published between 1984 and 2012.

Despite the global statistics, any individual company is unlikely to know its own wellness program ROI accurately. “ROI estimation requires putting hard dollars on proving someone has *avoided* health claims — but there is no way to prove that a non-event would have happened,” explains Sibson Consulting’s Spangher. Instead, a good way to demonstrate a wellness program’s value is by tracking risk score estimators. “If a client can prove that they have significantly reduced risk over a period of time, then they likely avoided claims,” he says.

Every company with a wellness program establishes its program budget differently — but there are essentially two broad approaches. Some decide on the wellness initiatives they wish to pursue, calculate their cost, and then make any necessary adjustments based on financial constraints. Others start by budgeting an amount to fund the program and then work out what initiatives make sense and work within that budget. “We had one client whose senior executives felt strongly about their wellness commitment, so their first step was to budget more than \$100 per employee per year, and they built their program with that budget,” Spangher says.

Align Wellness Programs with Corporate Culture

Wellness programs are unique among employee incentive programs in that they demand participants make a lifestyle, not a workplace-only, change.

⁴ Michael P. O’Donnell (2014) What Is the ROI of Workplace Health Promotion? The Answer Just Got Simpler By Making the Question More Complicated. *American Journal of Health Promotion: July/August 2014*, Vol. 28, No. 6, pp. iv-v.

⁵ The ROI of 2.38 was calculated using the method most common among Western corporations (ROI = benefits ÷ costs). The Journal meta-study also reported ROI using the method most common among global economists (ROI = [benefits – costs] ÷ costs), resulting in an ROI of 1.38.

Every dollar invested in wellness programs returned the original dollar plus \$2.38.

Consequently, participation rates typically are far lower than in other programs — especially in the beginning. While any incentive program can reinforce corporate values and desired behaviors, wellness programs simply can't succeed without close alignment to corporate culture — exemplified by senior management's behavior.

“Off-the-shelf programs don't work when it comes to wellness — it has to be a philosophy that becomes an ingrained part of the corporate culture,” insists Spangher. “Employees need to feel the program is believed, and lived, by senior management. It has to become a new way they think about their workplace. For that to happen, senior management has to take time to show they believe in it.”

Besides the example set at the top, companies have driven up employee wellness program participation rates through competitive fitness contests, sweepstakes, or incentive offers ranging from prepaid reward cards to fitness tracking devices. “Most important to understand is that it's a gradual process to create cultural change. You introduce new ideas, and building the culture around them takes time, good communication, and a lot of consistent reinforcement,” says Spangher.

Focus on the Dynamic Duo: Nutrition and Fitness

An intelligent mind might boggle at the sheer volume of personal, environmental, and lifestyle factors that impact every individual's health. However, aside from encouraging health check-ups that help identify potential problems earlier, wellness programs can easily influence only the lifestyle factors. Two lifestyle factors rise above all others in terms of potential health impact: nutrition/healthy eating and fitness/exercise. Stress management is a distant third, according to Spangher, who co-authored a January 2015 *Actuarial Model for Wellness* study (available at the Society of Actuaries' website at <https://www.soa.org/Research/Research-Projects/Health/Actuarial-Model-for-Wellness.aspx>).

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² *It's In the Cards: An In-Depth Look at PrePaid Cards in Incentive, Rewards & Recognition Programs*, Incentive Research Foundation, April 10, 2012, © 2016 Incentive Research Foundation.

“Nutrition and fitness tend to have the biggest influence overall on practically every aspect of wellness — including people’s ability to be productive employees. There are so many interdependencies between those two and all of the other factors that are in the model, including disease states. For example, if you’re not eating healthy you are more likely to gain weight, which can lead to obesity, which can lead to diabetes, asthma, COPD, sleep apnea, et cetera,” Spangher explains.

Nutrition: Eating a healthy diet is the most impactful lifestyle change a person can make to improve their health and wellness. Accordingly, says Spangher, the most successful corporate wellness programs emphasize good nutrition with a large and diverse number of nutrition-oriented elements. Among his top suggestions: subsidizing the higher cost of healthy food in corporate lunchrooms to make it more accessible (“Remember, healthcare costs the same whether a person’s salary is \$35,000 or \$350,000,” he notes); posting nutrition information for foods in vending machines; changing the vending machine foods over to healthier offerings; offering on-site Weight Watchers, Jenny Craig or similar programs that teach good nutrition as part of their weight management plan — and subsidizing the program cost, if possible. He also suggests emphasizing nutritionist coaching, which is often included in corporate health benefit plans but is typically underused.

Of note, healthcare costs can rise so high due to obesity — averaging an additional \$6,087 per person per year above the norm for grade III obese men and \$6,694 for grade III obese women in a 2010 meta-analysis of multiple studies⁶ — that Spangher recommends additional steps for obese individuals who participate in a wellness program but don’t make sufficient progress. The second step in “weight loss step therapy” would be weight loss medications under their doctor’s guidance (together with healthier nutrition); and if that proves insufficient and the individual qualifies

REWARDING WELLNESS WITH PREPAID CARDS

While incentives will not make for healthier employees, they do help inspire interest and participation. Monetary incentives delivered via open-loop prepaid reward cards, like those offered by American Express, can help increase participation in wellness programs and make that participation more meaningful for employees, notes Sibson Consulting’s Leonard Spangher. He says one client company used similar incentives to increase screenings for breast, prostate, and colon cancers after learning that its employee base was below average for them. “The hope is that the incentives helped that client find potential cancers at earlier stages, when they’re easier to treat and the remission rate is much higher,” Spangher says. Other companies use a system in which employees earn points either for medical screenings, fitness contest participation, or weight-loss milestones (e.g., five-pound loss, 10-pound loss, etc.). Reaching points milestones earns the employee a \$25 or \$50 reward card.

⁶ “The Cost of Obesity in the Workplace,” by Eric A. Finkelstein, Marco daCosta DiBonaventura, Somali M. Burgess and Brent C. Hale, *Journal of Occupational and Environmental Medicine* 52, no. 10 (October 2010): 971–76, doi:10.1097/JOM.0b013e3181f274d2.

above a certain Body Mass Index (BMI) and has other related chronic conditions, weight-loss surgery could be considered and should be discussed with their doctor, Spangher suggests.

Fitness: Contests structured to foster teamwork and friendly competition are far and away the most popular and effective approach to incorporating fitness elements into a wellness program. Typically, such programs include offering activity trackers to participants, or subsidizing part of their cost. “The approach should be tuned to each organization’s culture, but the way it worked best for us [at Sibson Consulting] was to make a game of it. We organized people into teams and competed for which team would have the most steps in a given timeframe. The teamwork creates good internal connection among team members, and can also enhance productivity and affiliation with the company because you’re collaborating with people you may also be teaming with on work projects,” says Spangher. Other good fitness elements can include offering an on-site fitness center; subsidizing membership to a local fitness center if your employee base isn’t large enough to support an on-site center; offering fitness coaching; standing or treadmill desks; and encouraging meetings of two-to-four people to be conducted on a walk, as long as computers aren’t needed to facilitate the discussion.

Stress management: Though less impactful than good nutrition and fitness, helping people manage stress also is important to improving wellness. Many healthcare insurers offer stress management seminars that include stress education and meditation, or “self-awareness exercises and breathing awareness exercises,” says Spangher. Yoga programs also can be popular. Spangher recalls one company that brought in a yoga instructor (at a cost of \$500 for an eight-week program) and ended up packing its largest room thanks to much higher-than-expected participation.

Most importantly for any sizable company, he says, is not to limit the program to only a few elements. Have enough elements to appeal to the diverse preferences of the broadest possible group of employees.

Communication and Education: The Critical Success Factors

Little is more critical to the success of any employee wellness program than communicating clearly and consistently and educating employees how to lead

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healthier lifestyles. Incentive programs generally offer two different communication opportunities: setup messages that relay guidelines and eligibility; and celebratory messages that recognize and praise winners. For wellness, Spangher recommends a third: surveys that help shape the ultimate program.

Surveys provide an understanding of your employees' preferences that enables you to maximize participation and, in so doing, have the most influence and biggest potential health impact. "We always recommend clients do a survey to ask, 'If we were to pose these possible programs to you, what would you be most likely or most want to participate in?'" says Spangher. Once programs are established, communication of the details must be clear and done often. Further, "Regularly letting people know that there's support from senior management is very important," adds Spangher.

Public recognition is important to employees; it's also a cultural communications tool that reinforces the program's values and helps drive up future participation. "People thrive on recognition," says Spangher. "They get motivated by recognition, and not just the financial recognition but also the communication out to the rest of the company that, hey, this is somebody special and here's what they've done for us all."

Internal Champions Drive Success Higher

Training and education are critical to helping people improve health and wellness. The most successful wellness programs go further, though, fostering the emergence of internal wellness champions.

Wellness champions are those employees who already practice and believe in wellness values, especially eating healthy and regular exercise. They may already be encouraging co-workers to adopt wellness values, without prompting. Spangher suggests asking questions in the initial survey to let employees self-identify as wellness enthusiasts, or allow others to identify who they look to for wellness advice. "Fostering wellness champions across the company's business units and locations helps pass along the culture at a grassroots level," says Spangher. In one client company, he adds, a wellness champion ended up coaching another employee using his own personal regimen, and helped that employee lose more than 100 pounds.

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Conclusion: Corporate Wellness Programs Lower Costs, Raise Productivity

Effective corporate wellness programs are now proven to help employees improve nutrition, fitness, and stress management, all of which ultimately contributes to lower health risk for the employee and reduced healthcare costs for the company — and higher employee productivity. In establishing corporate wellness programs, remember that wellness is a philosophy, so programs must be diverse and comprehensive. Focus on the top factors that influence health: nutrition/healthy eating and fitness/exercise. Educate employees frequently on the importance of healthy lifestyle choices and how to lead healthier lifestyles. Communicate program guidelines clearly and often, publicly recognize successful participants, and foster wellness champions to propagate a wellness philosophy at the grassroots level. ■

Eight Attributes of an Effective Employee Wellness Program:

- 1 Make a philosophical corporate commitment to wellness — or don't bother.
- 2 Establish a budget with measurable risk factors to help prove the program's economic value.
- 3 Develop a comprehensive program with elements that appeal to the broadest swath of employees.
- 4 Focus many program elements on healthy nutrition and fitness.
- 5 Communicate program guidelines clearly and often.
- 6 Educate employees on how and why they should make healthier lifestyle choices.
- 7 Celebrate participants' success publicly (as appropriate considering individual privacy rights).
- 8 Foster wellness champions across all business units and locations to propagate the wellness philosophy at a grassroots level.

