



Corporate Health

Financial Cost Benefits

Improving Your Bottom Line

Report By: Linda Bernardi, Productivity Specialist @ Health Project
e-mail linda@healthproject.com.au



Contents

What Matters To Business	2
Financial Cost Benefits	
Case Studies	3,4&5
Program Design and Implementation	
Case Studies & Suggestions	6,7
References	8



What Matters To Business

- ✓ Reduced healthcare costs.
- ✓ Reductions in worker disability.
- ✓ Increased worker productivity.
- ✓ Increases in workforce morale.
- ✓ Reduced absenteeism.
- ✓ Increased presenteeism –workers performing better when at work.
- ✓ Increased energy of the workforce.
- ✓ Stress management and a reduction of the associated costs of high stress.
- ✓ Workplace ergonomics.
- ✓ Competitive perks to attract and retain talent.
- ✓ Team building and team cohesion.

Taking A Closer Look

- **Decrease Health Care Costs**

It is reported by Vic Health studies that the direct cost of workplace injury and disease in Australia is over 7 billion per year nationally¹.

- **Improve Corporate Culture & Productivity**

Corporate wellness programs lead to a more energetic, positive, and productive workplace, thus strengthening the company and aiding it's positioning for success.

- **Reduce Employee Turnover & Attract and Retain Top Employees**

Healthy employees are happy employees. Those who are happy are more likely to remain faithful long-term employees than their unhappy counterparts. Better employee attraction and retention systems are fundamental to business success and will be outlined in some of the case studies in this report.

- **Reduced Absenteeism**

A Medibank private study reveals that stress at work not only affects mental health but also contributes to 10 billion in costs of absenteeism and presenteeism².

Financial Benefits – Case Studies

Price Waterhouse Coopers



- A Price Waterhouse Coopers LLP report based on information from multinational employers and a review of case studies found that wellness programs began to surge, employers and consultants say.
- Most programs realized a positive return on their investment in three to five years.

Unilever



- Employers that do a good job of selecting vendors and implementing the right programs that meet the needs of their populations should start to see a positive ROI sometime in the second year of a wellness program.
- Unilever conducted a wellness pilot in the UK in 2004 and 2005 which to their astonishment produced a 3-7-1 return on investment Dr John Cooper, head of corporate occupational health for Unilever PLC in London³.
- Based on these results Unilever rolled out a global program that includes health risk assessment and a personal coaching program for exercise, nutrition and mental resilience.

Microsoft Corp



- In 2002 Microsoft Corp was spending about 40% more in medical claims for obese workers than other workers, implemented a weight loss program at a cost of \$6,000 per participant along with onsite health screening and hospital setting based screening once reserved only for high level executives, now available to all employees⁴.

General Mills Inc



- At General Mills Inc comprehensive wellness programs dating back 20 years have resulted in medical claims that track below the national trends and other major employers⁵. Closer to home, Health Project client, General Mills in Melbourne was recently awarded with a class A. Health Project have recently taken over the Sydney account and have customised a program specifically designed to target their current wellness issues.

Financial Benefits – Case Studies



Johnson & Johnson

- A financial analysis of medical insurance claims for 18,331 Johnson & Johnson domestic employees who participated in its health and wellness program from 1995 to 1999, found that a reduction in medical costs amounted to savings of \$225 per person per annum⁶.
- Employee medical expenditures were evaluated for up to five years before and four years after the program began, Johnson & Johnson savings averaged 8.5 million annually in the four-year post program implementation⁷. This highlights a significant impact of health and wellbeing implementation on companies' bottom line results.
- In addition to the financial savings achieved by the company's health and wellbeing program recognised significant reductions in employee health risks in eight out of the 13 risk categories⁸.

Washington Business Group

- Studies by the WBG on health show that companies using absence management programs have an absence rate that 74% lower than the rate of companies that don't manage absence using H & P programs⁹.

Before & After Snapshot

A large multidisciplinary company of 55,000 US employees with a historically traditional approach to HR and program management embarked on a health and productivity process and discovered their annual costs in the following areas were:

Before:

Unscheduled absence:	\$69,000,000
Health:	\$224,000,000
Disability	\$17,000,000
Workers Compensation	\$110,000,000

After:

Unscheduled absence:	\$20,000,000
Health:	\$37,000,000
Disability	\$3,000,000
Workers Compensation	\$41,000,000 (+ release of \$17 million in reserves)

Aggregate Net ROI 9:9:1¹⁰

Financial Benefits – Case Studies



2007 Step It Up Program Results:

- Average participation rate of 12.5% of nationwide employee population
- Over 259 million steps logged by participants
- 65% of participants reported that their level of physical activity had increased as a result of the program
- 73% reported that the program increased satisfaction with their employer
- 92% would participate if the program were offered again
- 65% said they would enroll/re-enroll in their on-site fitness center or find a place to keep moving!
- 46% of participants reported improved attitude and morale and increased energy

In a report titled *The Financial Impact of Health Promotion Programs*, eighteen of eighteen intervention studies found that absenteeism dropped after the introduction of the health promotion program and the six studies, which reported cost benefit ratios averaged savings of \$5.07 for every dollar invested¹¹.

Health and Wellbeing Participation Illustrated¹²

	Goal	Result	Change
Health Seminars	450	544	+21%
Incentive Programs	500	554	+10%
Screening/Flu Shots	1000	1,224	+22%

Program Design & Implementation

- A program should always begin with a health risk assessment, which allows for the design of a program that targets the top risk factors, followed by wellness counselling and direction to appropriate wellness and medical programs.

Case Studies

- As health screening is not a mandatory requirement, there really needs to be an incentive for employees to participate in a health risk assessment. There is data which suggests that not taking a health risk assessment correlates with high medical claims. Of 206 employees who incurred more than \$50,000 in medical claims. Of those claims 199 did not participate in a health risk assessment¹³.
- Johnson & Johnson saw a 26% increase in health and wellbeing participation when the companies decision to establish a partnership between the health & wellness program and employee health care benefits and risk management programs and to offer financial incentives to employees incentives included a \$500 medical plan discount for those who completed a health risk assessment and enrolled in a high-risk intervention program if recommended¹⁴.

A Well Managed Corporate Health Program Should Include These 8 Elements



Suggestions

- We suggest a “Health-Mileage” program that allows employees to track their wellness efforts to redeem points for health related products from retailers.
- Create an environment where health and productivity excellence is a corporate goal.
- The success of a program relies heavily on support of senior management to lead by example as well as allowing employees the time to engage in wellness programs.

Program Design & Implementation

Suggestions

- Health & Productivity requires a sound business plan with significant financial consequences, to ensure a positive impact on both productivity and profitability. Addressing the costs of absence, health, disability and workers compensation is one of the most pressing issues for organisations. These areas are business challenges with substantial financial considerations, and, for many organisations, the combined annual cost/expense of absence, health, disability and workers' compensation is surpassed only by employee compensation.
- Typically, efforts to facilitate cost cutting in human resource operations have resulted in the outsourcing of various administrative functions, the consolidation of activities, and the shift of financial responsibilities from employer to employee. This traditional approach can and has led to fragmentation which in turn leads to significant missed business opportunities. Due to this we suggest integrated health and productivity services from a corporate health provider formed into a more cohesive horizontal function rather than the fragmented silo structure of initiatives.
- A wellness culture needs to be lived everyday, for example not serving pastries at meetings and providing healthier snack options like nuts & seeds, fruit and natural yoghurt.
- Employers should seek a provider that can integrate all components of a health and wellness program around a health coach.
- An increased focus on technology development. The rapid advances in technology and health informatics is now available to the consumer via significant advances in web based health information and decision making tools.
- Job satisfaction surveys to ensure that the program design is on the right track, furthermore a company who is not afraid to act on the results.
- Define the issues, customize a system and conquer workplace health and productivity issues.

References

-
- ¹ Prof Anthony D. LaMontagne, Workplace Stress In Australia, Developing A Systems Approach, Report to the Victorian Health Promotion Foundation, Published by the Victorian Health Promotion Foundation May 2006 p5
- ² Todd Harper, Promoting Health & Wellbeing At Work, Vic Health, October 2008, p 13
- ³ Louise Kertesz, Corporate wellness programs help shape a better bottom line; Companies benefit as healthier workers file fewer claims. (Benefits Management) Business Insurance, April 9 2007, p 1
- ⁴ Louise Kertesz, Corporate wellness programs help shape a better bottom line; Companies benefit as healthier workers file fewer claims. (Benefits Management) Business Insurance, April 9 2007, p 2
- ⁵ Louise Kertesz, Corporate wellness programs help shape a better bottom line; Companies benefit as healthier workers file fewer claims. (Benefits Management) Business Insurance, April 9 2007, p 1
- ⁶ First Long-Term health and Wellness Program Evaluation Confirms Employee Benefit, Company Savings for Johnson & Johnson, PR Newswire, January 24, 2002, p 2
- ⁷ First Long-Term health and Wellness Program Evaluation Confirms Employee Benefit, Company Savings for Johnson & Johnson, PR Newswire, January 24, 2002, p 2
- ⁸ First Long-Term health and Wellness Program Evaluation Confirms Employee Benefit, Company Savings for Johnson & Johnson, PR Newswire, January 24, 2002, p 2
- ⁹ Johnson, Richard E; Johnson, Peter G, Health & Productivity; Are H & P programs for you? CFOs and other financial professionals can help their companies achieve organization-wide savings and operational improvements with H & P programs, Strategic Finance, December 1 2003, p 3
- ¹⁰ Johnson, Richard E; Johnson, Peter G, Health & Productivity; Are H & P programs for you? CFOs and other financial professionals can help their companies achieve organization-wide savings and operational improvements with H & P programs, Strategic Finance, December 1 2003, p 6
- ¹¹ Bill McBride, Corporate Facility Management, Bill McBride, May 2008, p 37
- ¹² Bill McBride Corporate Facility Management, Bill McBride, May 2008, p 23
- ¹³ Ron Z Goetzel, The Financial Impact of Health Promotion, The American Journal of Health Promotion,
- ¹⁴ First Long-Term health and Wellness Program Evaluation Confirms Employee Benefit, Company Savings for Johnson & Johnson, PR Newswire, January 24, 2002, p 2

