

The logo for Veritude, featuring the word "Veritude" in white serif font on a dark blue rectangular background.

Providing the Talent that
Drives your Business Success™ <http://www.veritude.com>

HPM for Workforce Insights, an online HR newsletter

Health Management Moves to the Top of the Corporate Agenda

In the not too distant past, if a company put in a gym, it had an employee health program. Today, with declining employee health eating away at the bottom line through direct and indirect costs, employers are taking more aggressive steps to reduce health care costs and promote wellness.

“Employers bear the brunt of employee health problems, so they are a driving force in health management,” says Wolf Kirsten, president of Wolf Kirsten International Health Consulting in Berlin, whose clients include Daimler Chrysler, 3M and Credit Suisse.

Employers face a formidable challenge: Lifestyle-related illnesses such as coronary artery disease and diabetes currently cost 75 percent of health care dollars. And those costs will most probably continue to rise, given that obesity rates have tripled over the past 30 years and diabetes incidence has doubled over the past 15.

“If Americans’ health improved just marginally, it would have a huge impact on health care costs,” says Sean Sullivan, president and CEO of the Institute for Health and Productivity Management (IHPM), a Scottsdale, Ariz.-based nonprofit organization that develops strategies for improving employee health and productivity.

Health insurance premiums have gone up by more than 60 percent in the past five years, overwhelming many employers, and especially small businesses, according to a report by Towers Perrin, a global professional services company. But there are also indirect costs, such as lost productivity due to increased absenteeism and presenteeism (when employees with health problems show up at work but function at less than full capacity). Every workday, presenteeism reduces overall productivity by 10 percent, reports Sullivan, and chronic pain impairs performance by 20 percent.

Some 19 percent of organizations with 5,000 or more employees offered a comprehensive health management program, while an additional 49 percent of employers offered more limited programs, according to a 2006 Mercer Human Resource Consulting/Marsh Inc. survey of 600 U.S. employers. A comprehensive program can include health promotion and prevention, disease and disability management, work-life support and data analysis to measure results.

Investment in health management is expected to grow in the coming decade “as the business case gets stronger and companies find out the total cost of bad health,” says Sullivan.

Health Promotion Has Come a Long Way Since the 1980s.

Some organizations recognized the dangers of poor employee health years ago and took action. Two decades ago, Union Pacific Railroad CEO Michael Walsh saw an aging male-dominated workforce with poor health habits. Starting with health promotion programs in 1988, the Omaha, Nebr.-based company has multiplied its investment in health management by implementing health risk assessment and behavior modification programs in the mid-1990s and disease management in 2004.

The voluntary program offers incentives to employees who take online wellness assessments or join a smoking cessation program. Incentives include extra contributions to health reimbursement accounts and gift certificates. These have helped to prompt 37,000 out of 50,000 employees to take wellness assessments.

Since 2002, supervisors have developed an annual health index in which they set goals for employee participation in wellness and intervention programs which in turn encourages them to be good role models. "We've integrated health programs into our daily operations; it's part of how we do business at Union Pacific," says Marcy Zauha, director of health and safety. Since 1990, employee smoking has been cut by nearly half and insurance claims related to lifestyle factors by 10 percent.

Spreading Health Throughout the Workplace Community.

The City of Phoenix instituted a workplace wellness program eight years ago, motivated by concerns about overweight workers. "We wanted to deal with the problem before it really hurt people," says Veronica Costa, employee assistance and wellness coordinator. "And we were aware of the links between employee health and productivity." The program features a wellness council, which includes representatives from the city's health insurer, CIGNA HealthCare, and city departments that help promote initiatives and spread the word on health issues to employees.

The city government has partnered with big health care and pharmaceutical companies to operate 26 health education centers (two more will open in December 2006), where its 14,000 employees can check their blood pressure and body mass index and get health information.

"I think employees know that this is a workplace that cares about them," says Costa. "Healthy employees feel great at work and at home, and unhealthy employees struggle."

Disease Management Reduces Health Care Costs.

Disease management programs, which help employees with chronic conditions care for themselves, are catching on in corporate America, having been adopted by 67 percent of employers with 500 or more employees in 2005, according to a Mercer survey.

Aetna, the Hartford, Conn., health insurer known for developing an online health assessment for its own employees, has expanded its health promotion and disease management programs to address a wide spectrum of health and disability issues. Its new disease management program covers 30 conditions, up from six.

"I haven't spoken to any organization that isn't interested in this area," says Tim Blevins, head of integrative care programs. "The challenge is deciding what to do about employee health. Health management is where antismoking campaigns were years ago. We're creating a culture and consciousness around health." The insurer is testing an integrated health program which includes services ranging from online health assessments to medical and psychiatric case management and cost analysis.

When Pitney Bowes, the Stamford, Conn., mail and document management company, analyzed its future benefits costs in 1992, health care was projected to become its biggest employee benefit expense. The company then studied employee health care usage and behavior and chose three costly diseases – diabetes, asthma and hypertension – for targeted interventions, starting a limited disease management (DM) program in 1995 and expanding to a comprehensive one in 2002. To encourage utilization, all prescription drugs for these conditions have been moved to the lowest co-payment category. Nurse-coaches assist employees with treatment management.

"It was a difficult decision to spend extra money up front," says David Hom, vice president of employee benefits and author of "Total Value/Total Return: Seven Rules for Optimizing Employee Health Benefits for a Healthier and More Productive Workforce." But "as an organization, we believe that an ounce of prevention is worth a pound of health care."

Programs Yield Payoffs in the Millions.

That calculated risk has paid off: In 2004 health care costs for diabetes were reduced by 6 percent and for asthma by 15 percent, for annual savings of \$2.5 million over 2002. In addition, there has been an important reduction in short-term disability leaves for diabetics. "We want to invest in health rather than health care. Employers can design benefits, incentives and messaging to influence people in a very positive way," says Hom.

The City of Phoenix is also delving into disease management. The city is awaiting data on health and productivity from its six-month migraine headache pilot program, which offered ongoing nursing support and education. Migraines were targeted because they affect employees during the workday and impair performance. Preliminary evidence suggests that the migraine program did reduce absenteeism and boost productivity. Next is an initiative to study the effects of intervention on metabolic health.

Solid data is key to justifying the investment in health and disease management programs. While reductions in health care costs show up clearly on financial reports, productivity can be measured using psychometrically designed survey tools, such as the respected Work Limitations Questionnaire (WLQ), which asks employees about the impact of health issues on performance and produces statistically valid results.

As employee health moves to the top of the corporate agenda, it is becoming an integral component of human capital management. "It's a huge opportunity for HR to actually add value to the organization and contribute to overall business performance," says Kirsten.

Elaine Gottlieb is a freelance writer in Cambridge, Mass. She writes about workplace and business issues, health and technology.
