Health and Productivity by the Numbers

Basic Information for understanding the business value of a healthy workforce

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Agenda

- Return on Investment (ROI): The promised land … but very far away
- A broader perspective on costs of illness – linking labor costs and labor outcomes
- A population health perspective
- Putting health and productivity together … it's complicated
- Getting started on a long road

About IBI

- 501(c)(6) non-profit business association
  - Established 1997
  - 1,000+ organizational members
- Provide research on the relationships between workforce health, worker productivity and business performance
- Annual Forum for employer to learn from one another's experiences
  - Fairmont San Francisco, March 2014

ROI for Health & Productivity: Simple in principle

$$ROI = \frac{(\$\, under\ usual\ care - \$\, under\ intervention)}{\$\, for\ intervention}$$

Example:

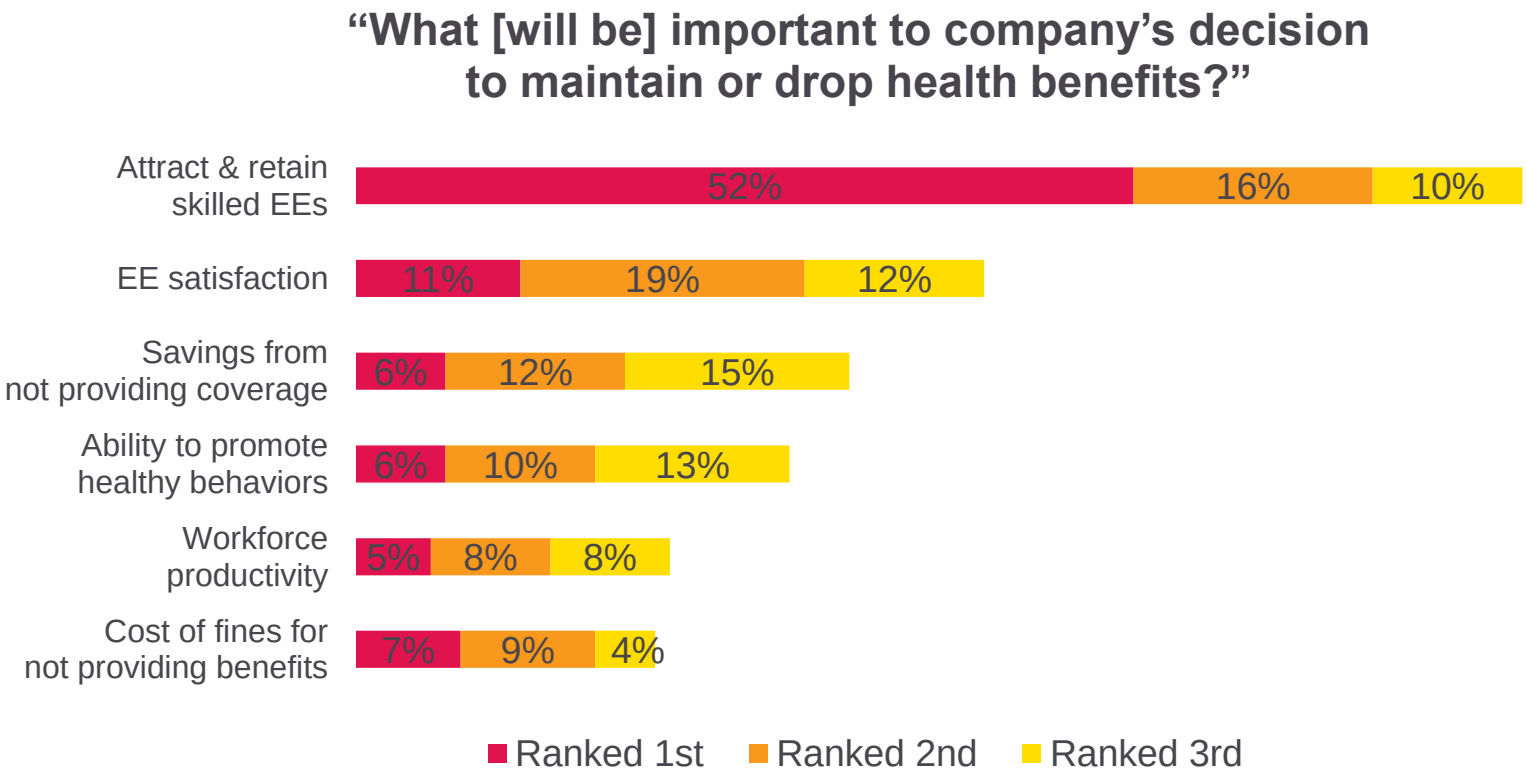
- Short-term disability (STD) costs without intervention (usual care) are $2M.
- STD costs with intervention are $1.5M – a 25% reduction
- An intervention that costs ≤ $0.5M will have a positive ROI

ROI for Health & Productivity: Complicated in execution

Many employers do not know:

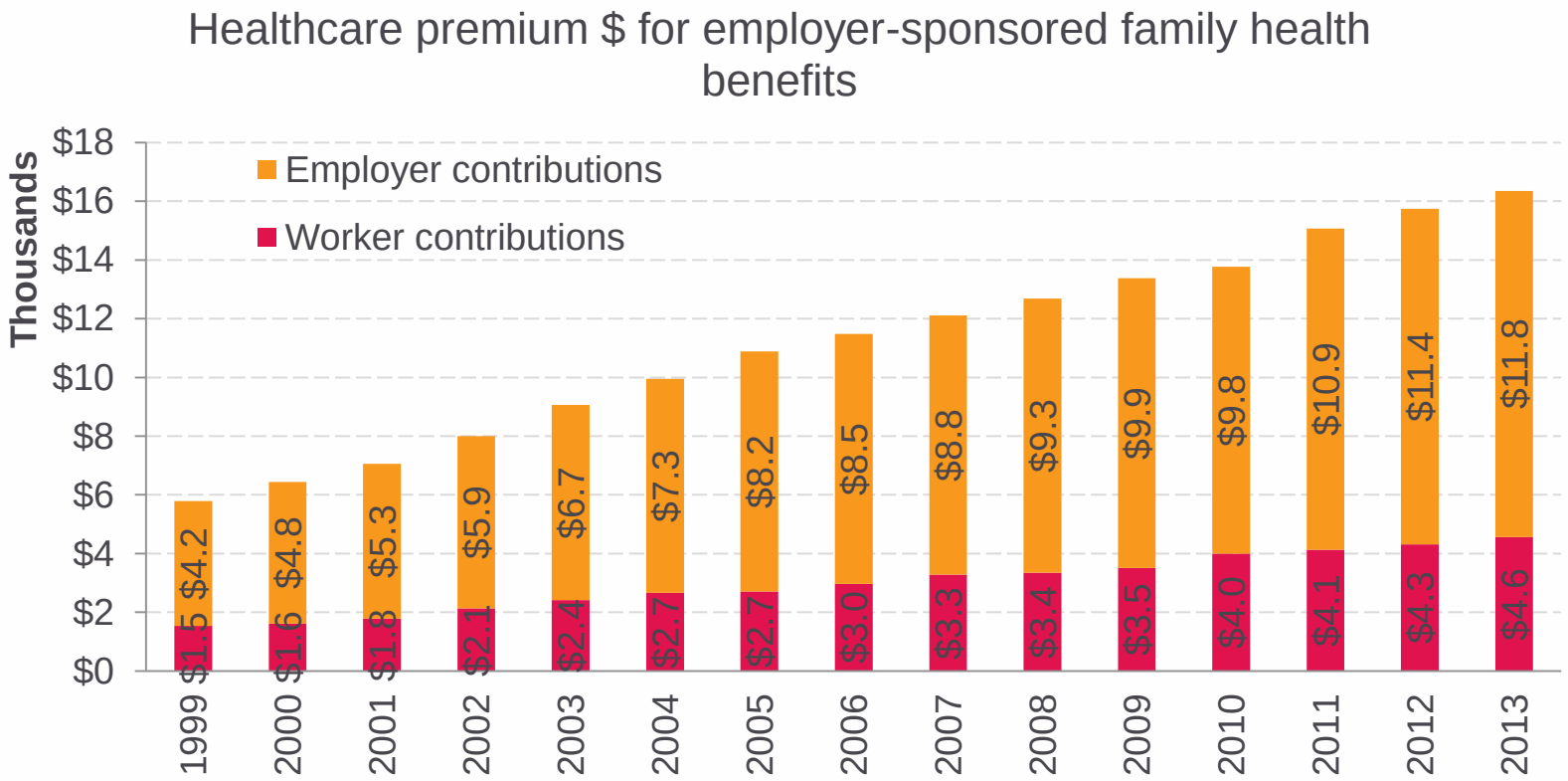
- Costs under usual care or intervention
  - Many don't know the impact of their programs, or even measure outcomes (*IBI HPM survey 2010*)
- The business costs attributable to illness
  - Hint: It's not just medical spend
  - Less than half of CFOs received information about programs in strategic financial terms (*IBI CFO survey 2012*)
- How to link health, intervention efforts, outcomes and business performance

Health benefits are typically labor market oriented



Source: *IBI CFO survey 2012*

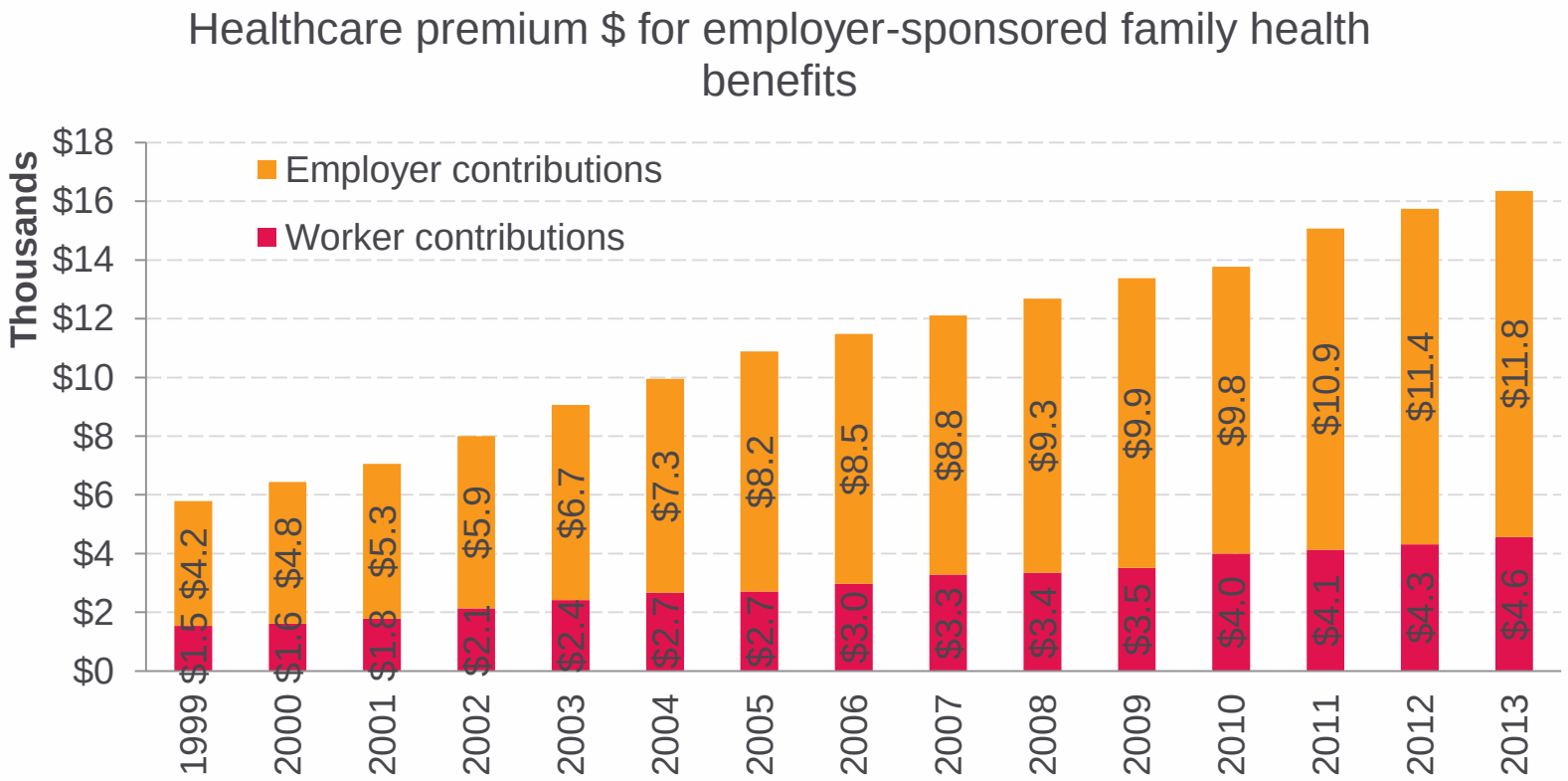
Rising healthcare costs



Source: Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2013

Rising healthcare costs

LABOR



Source: Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2013

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Controlling healthcare costs

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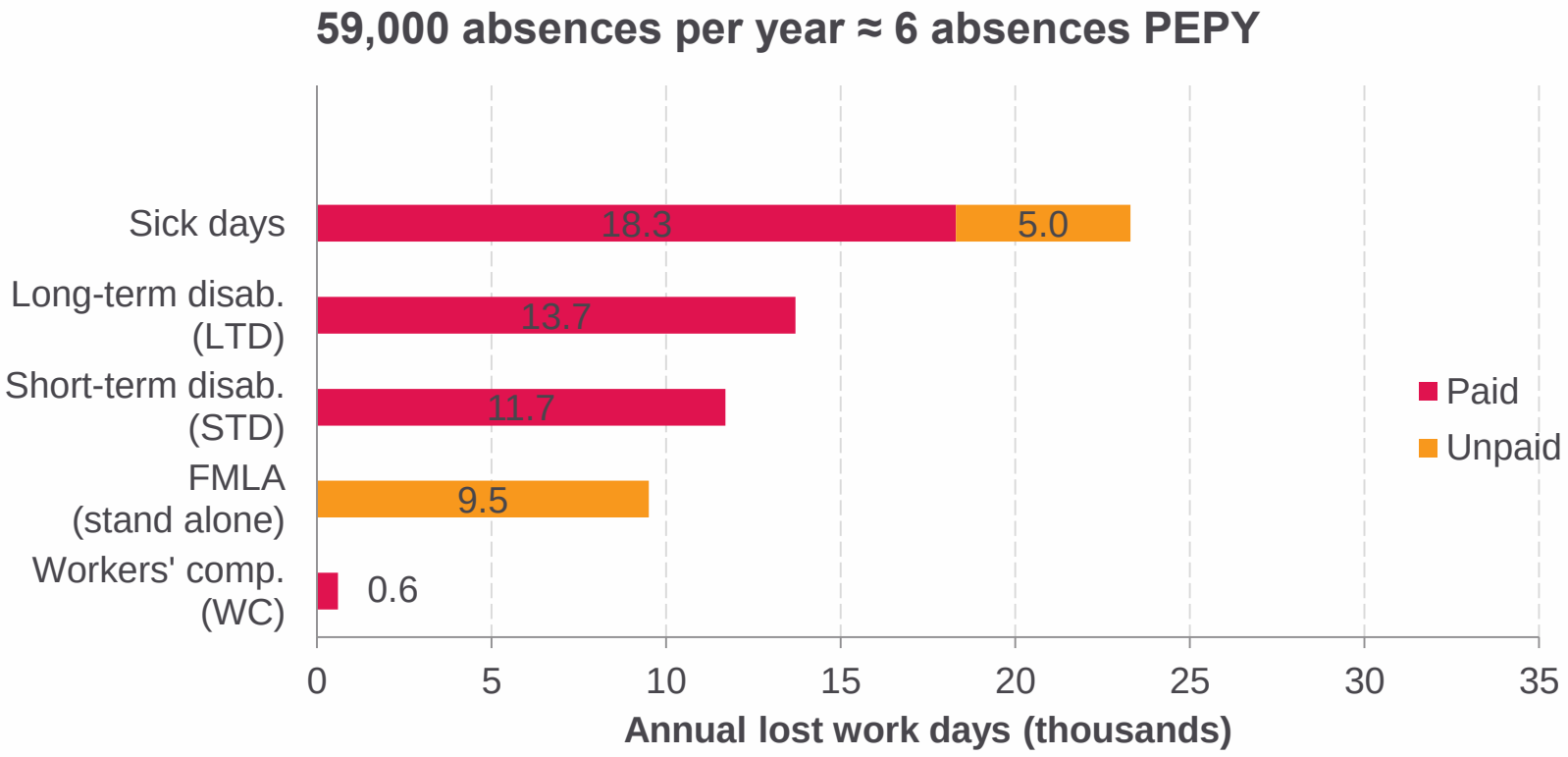
Cost control strategy	Potential advantage	Potential downside
Cut costs directly • Withdrawal of benefits • Shift more costs to Employees	• Straightforward • Could work	• Less competitive in labor market • Could discourage utilization of beneficial preventive care • **Employers still face illness-related productivity losses**
Structure benefits in ways that improve health of the workforce	• Lower utilization of later, costlier care • Better productivity – finally linking **labor costs and outcomes**	• Easier said than done

Broadening the perspective on "Returns" gives a better picture of the full value of a healthy workforce

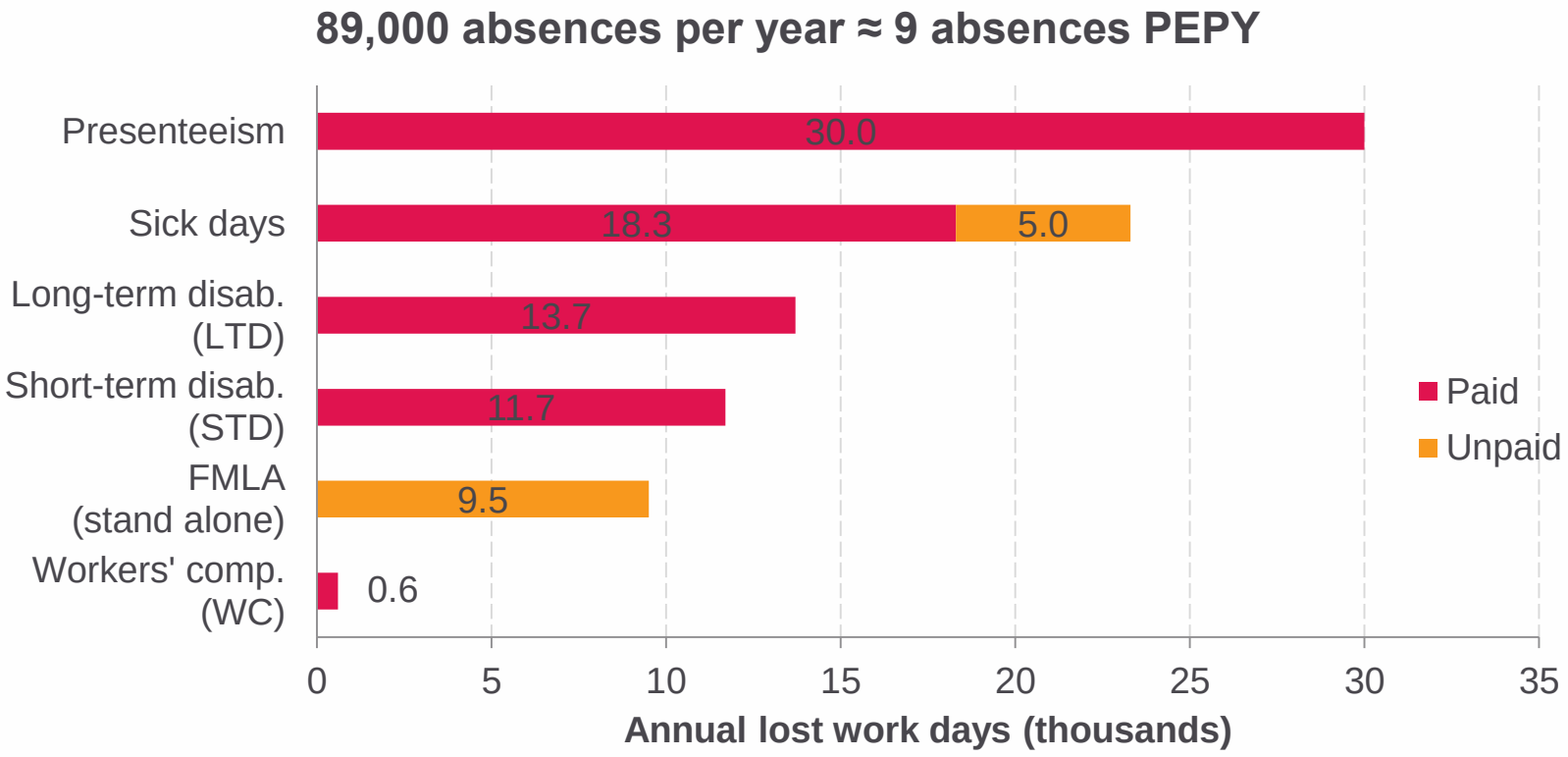
- Financial outcomes
  - Medical spend
  - Disability and illness leave wage replacements
  - Sick day wages
- Economic outcomes
  - Opportunity costs when ill employees are absent or underperform because of symptoms or treatment side effects ("presenteeism")
  - "Unpaid" sick leave is not cost free

The Full Impact of Illness – Absences



Estimated for a 10,000 person software publishing company. Source: *IBI Full Cost Estimator*

The Full Impact of Illness – Absences & presenteeism



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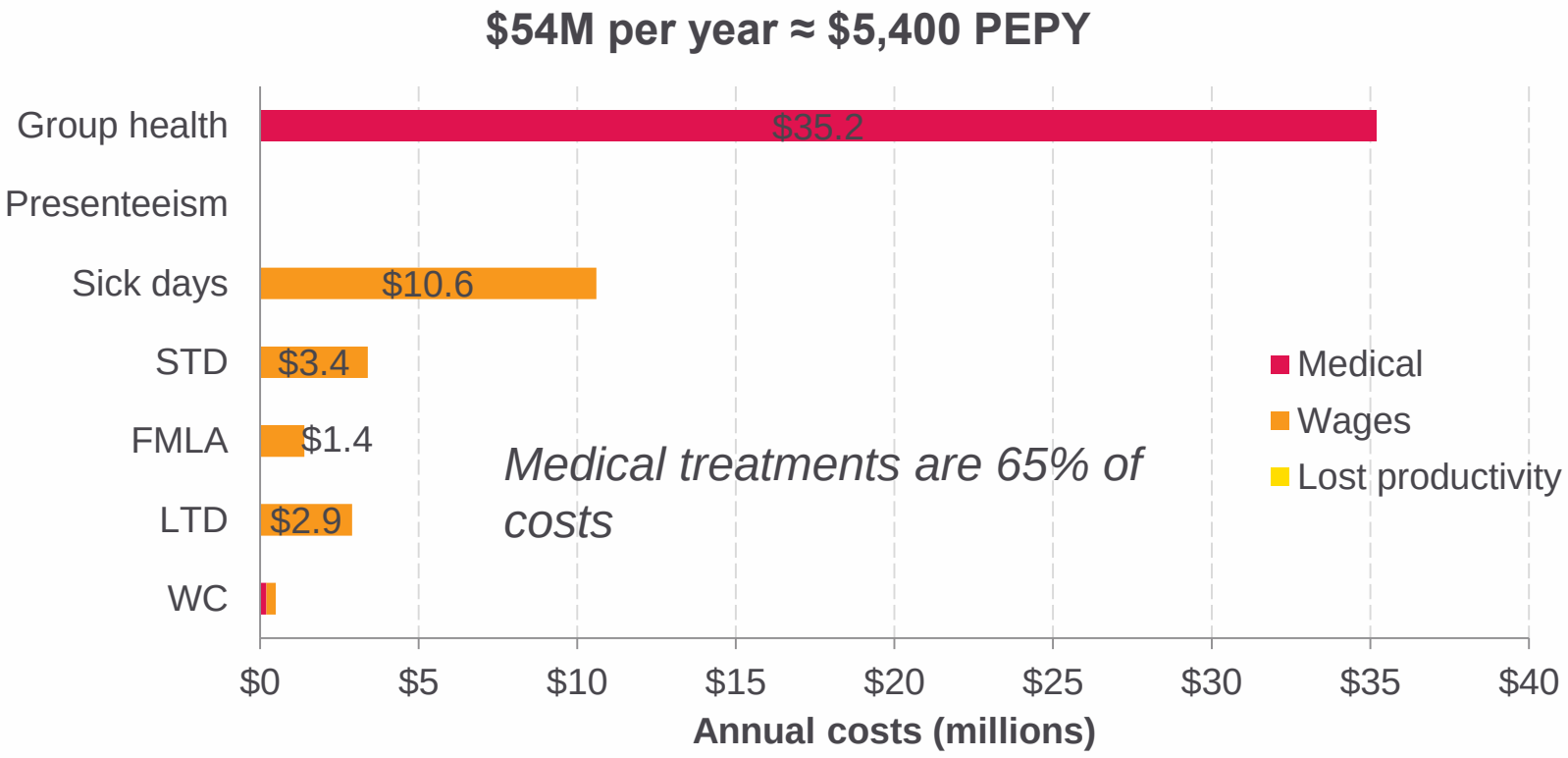
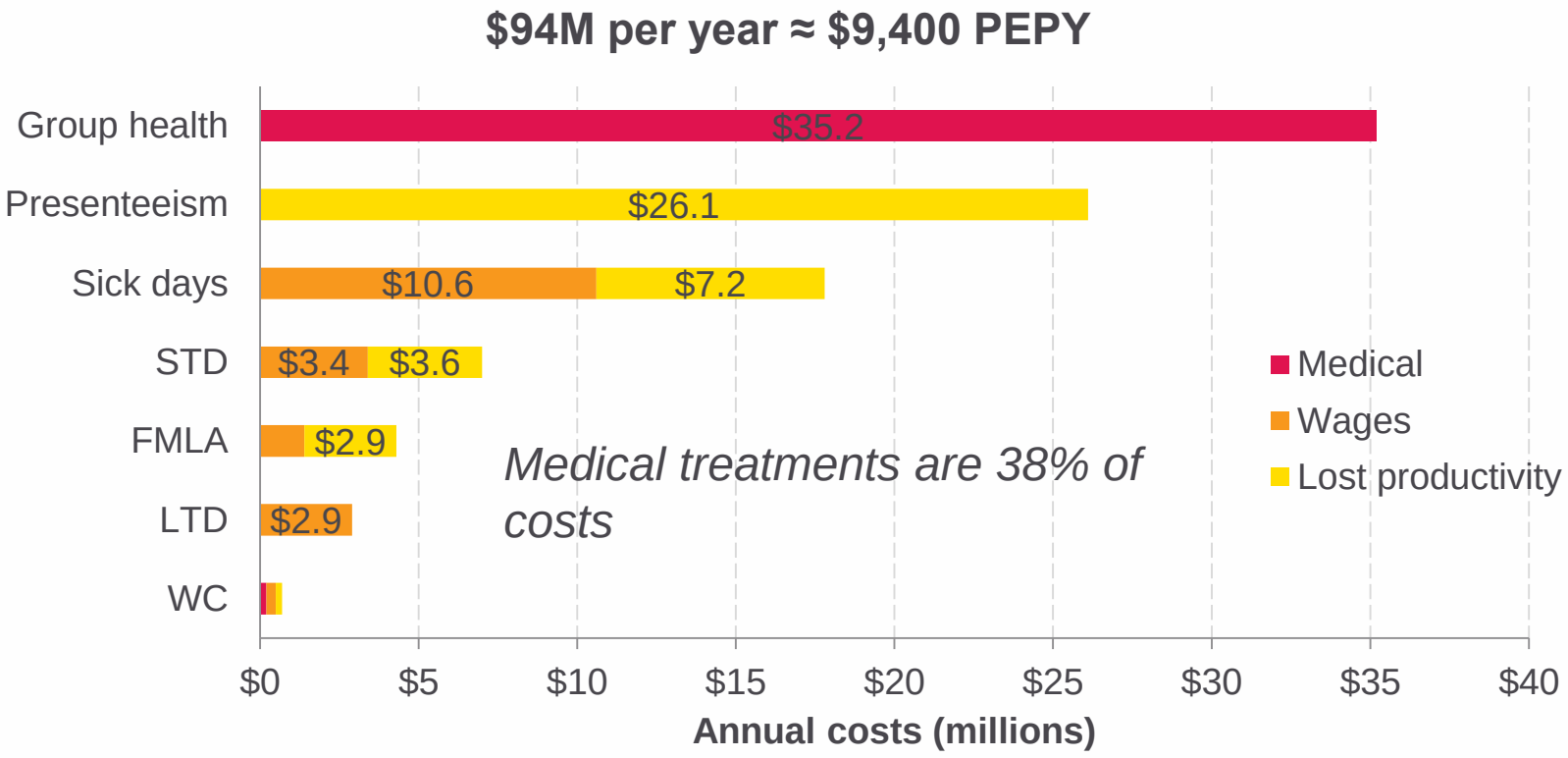
The Full Costs of Illness – financial perspective



Estimated for a 10,000 person software publishing company. Does not include administrative or premium costs. Source: *IBI Full Cost Estimator*

The Full Costs of Illness – financial & economic perspective



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Top 5 drivers of illness-related business costs

Medical $	Sick day sbsence	Presenteeism	STD diagnoses	LTD diagnoses
Obesity	Depression	Depression	Musculo • Back/neck pain	Musculo • Back/neck pain
Physical inactivity	Anxiety	Chronic fatigue	Injuries	Nervous system
Depression	Back/neck pain	Anxiety	Mental disorders • Depression	Circulatory • Heart disease
Tobacco use	Heartburn/ GERD	Allergies/hay fever	Cancer	Mental disorders • Depression
High blood glucose	Chronic fatigue	Back/neck pain	Circulatory • Heart disease	Cancer

Sources: Goetzel et al, 2012 (“Medical $”); IBI HPQ-Select (“Absence”, “Presenteeism”; IBI Benchmarking (“STD”, “LTD”)

Developing a population health perspective

- What does the health of my workforce look like?
  - Biometric indicators
  - Health risks
  - Chronic disease history
- How is health driving costs?
  - Utilization of primary, preventive and emergency care
  - Illness absence, disability leave, and underperformance
- How do I link it all together?
  - Without getting lost in all the moving parts?

Some practical first steps

- Compile a short list of population health, productivity and financial metrics

TABLE 1. A FRAMEWORK OF HEALTH DIMENSIONS, DEFINITIONS, AND KEY METRICS FOR EMPLOYERS TO MORE EFFECTIVELY MEASURE AND MANAGE WORKFORCE HEALTH AND PRODUCTIVITY

Health Dimension	*Definition*	*Key Metric*
Financial	Expenditures for all health-related benefits programs	Total health-related program costs per employee
Program participation	Degree to which employees are enrolled and taking part in available health-related programs	Participating employees as a percent of eligible employees
Biometric screening	The biometric profile of the workforce	Employees meeting clinical targets as a percent of all employees
Health risks	The profile of risk factors existing in the workforce	Number of health risks per employee
Utilization	The amount of care delivered and the health care setting in which it occurs.	Employees receiving medical care as a percent of all employees
Preventive care	The degree to which employees are being screened for age- and gender-appropriate health conditions	Employees receiving appropriate screening as a percent of all eligible employees
Chronic conditions	The prevalence and distribution of employee chronic health conditions	Employees with chronic conditions as a percent of all employees
Lost time from work	The number of health-related lost workdays, both from absence and reduced performance.	Number of lost workday equivalents per employee from health-related conditions
Lost productivity	The financial opportunity costs borne by the employer in responding to lost work time by employees	Lost productivity costs per employee
Employee engagement	The degree to which employees are engaged in managing their health	Average health engagement survey score per employee

Some practical first steps

- Compile a short list of population health, productivity and financial metrics
- Identify benchmarks
  - From benefits suppliers
  - From the research literature
  - From public sources (CDC, BLS, AHRQ)
  - From benchmarking and measurement organizations (IBI)
- Identify existing data sources for your own workforce
  - Health risk assessments (HPQ, WLQ)
  - Medical and disability claims
  - H.R. & payroll records

How can this support ROI analysis?

You will know:

- Baseline outcomes
  - “Usual care” if you have no wellness programs
  - Compared to similar organizations if you do
- The health needs of your workforce
- The opportunities for improvement
  - Which sets the priority for interventions

Questions?

Learn much more at ibiweb.org

Cited Works

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