

How Much Does a Good Wellness Program Cost?

High healthcare costs continue to be of concern to American businesses. Today, the average annual health insurance premium is more than \$5,000 for individual employees and nearly \$14,000 for families. Since 2000, average premiums for family coverage have increased 114%. It is estimated that the total healthcare cost of the nation will reach 20% of GDP by 2019.

Much of the higher cost has been transferred to employees. Since 2005, workers' contributions to premiums have gone up 47%. As of 2010, the average employee is financially responsible for 19% of their individual insurance premium (\$899/year), and 30% (or \$3,997/year) of their family's premiums. In addition, employees pay increasingly higher co-pays at the doctor's office and higher deductibles for hospital services. As a result of this trend, both companies and employees are highly motivated to keep healthcare costs as low as possible.

HOW TO CURB HEALTHCARE COSTS

Rather than simply continuing to cut benefits or shift costs to employees, more companies today are starting worksite wellness programs as a way of controlling high healthcare costs. According to a study conducted by MetLife, nearly 4 out of 10 employers (or 37%) now offer a corporate wellness program, up from just 27% in 2005. Among large employers (those with 500 or more employees) the number jumps to 6 in 10 (or 61%), up from 46% in 2005. Their primary priorities are to curtail health costs, retain good workers, attract good employees, reduce absenteeism, and improve employee productivity, morale, and safety.

Return on Investment (ROI)

In a recent meta-analysis of the literature on costs and savings associated with wellness programs, researchers from Harvard University found that medical costs fall by about \$3.27 for every dollar spent on wellness programs and that absenteeism costs fall by about \$2.73 for every dollar spent.

Just as in the past, companies today that do not provide comprehensive wellness programs generally will not see a positive ROI. Holding an annual health fair, hosting an occasional health class, or providing printed health information without follow-up are usually not enough by themselves to generate change or keep healthcare costs from climbing. To show savings from a wellness program, it is essential for a company to provide a well-run program with comprehensive and effective interventions.



A comprehensive wellness program works

Most companies that are serious about managing costs and saving money recognize the need for a comprehensive program that includes:

- Training and plenty of wellness resources for the company wellness coordinator.
- An annual health and lifestyle assessment with biometric screenings (e.g., blood test, blood pressure, BMI) so you can identify needs and track improvements both for individual employees for and the company as a whole.
- Helping individuals discover their risks and make needed lifestyle changes.
- Inviting employees to participate in appropriate health improvement programs, see their physician for medical follow-up if needed, try a self-help/study program, take advantage of online health resources and interventions, and even enlist a health coach to motivate and assist them in making changes.
- Motivational activities and incentives, such as offering each participating employee a share of the insurance premium saved if they actively meet minimum levels of participation.
- Frequent motivating health communications (monthly newsletter, health challenges, and reminders).
- Health tracking program for physical activity, wellness activities, and events that are tied to incentives, recognition and rewards.
- Program evaluation and outcome analysis.

Continued

HOW MUCH SHOULD YOU BUDGET?

How much should you budget for an effective, comprehensive employee wellness program? That's a good question – one that deserves consideration from various sources:

University of Michigan – Dee Edington, PhD. This question was asked of Dee Edington, a highly respected wellness program ROI expert, at the annual University of Michigan Corporate Health Management conference. His response: "About \$300-\$400 per employee if you expect good savings and a positive ROI." He further commented that while "medical care is expensive, wellness care is free" and showed how companies that invest adequately in their wellness programs save at least 3 times their investment in health-related costs.

Cornell University Institute for Health and Productivity Studies – Dr. Ron Goetzel, Director. Dr. Goetzel recommends investing about \$150 per employee per year for an expected \$450 annual ROI per employee.

The Wellness Council of America recommends that at least \$100-\$150 per employee per year should be spent on promoting wellness. Add another \$300 per employee annually if incentives and health coaching are desired.

According to the Wellness Council of America, if you are only spending \$45 per employee annually, you will not receive any return on your investment. In reality, you can run an effective employee wellness program from anywhere within the range of \$100-\$400 per employee per year. With training, careful planning, and assistance from outside vendors, an in-house wellness program can be very effective, easy to offer, and affordable. For Wellsource clients, the average wellness program costs per person are \$160 annually, plus your health insurance premium expenses:

- \$10 for health risk assessment and online wellness resource tools
- \$50 for biometric screening (lab work)
- \$50-120 for telephonic coaching
- \$50-100 for incentive, plus a discount on health insurance

But keep in mind that the more you invest, the greater the results – and savings – you can expect.



The actual costs depend upon many factors:

- Will the program be run in-house (which is usually much less expensive) or by a contract vendor?
- How extensive will follow-up interventions be?
- Will you include health coaching (shown to be very effective in getting people to change)?
- What health screening tests will be conducted?
- What kind of incentives will be provided?
- How will you distribute the cost?

The full cost of the wellness program doesn't need to be carried entirely by the company. While the employer carries the primary cost of the program, the employee can often share expenses on interventions or classes, such as paying half of the enrollment fee for a weight loss class – either up front, or upon receipt of documentation of regular attendance. In addition, some insurance carriers will cover a portion of health screening expenses and other wellness program costs.

The **Affordable Care Act**, enacted March 23, 2010, provides small businesses (fewer than 100 employees) access to wellness grants to help establish new worksite wellness programs. Once the \$200 million in grant funding is approved by Congress through the appropriations process, the grants will become available through the Secretary of Health and Human Services. To be eligible for a grant, employers cannot have had a workplace wellness program in place prior to the date of enactment, and must implement a comprehensive wellness program that:

- **Includes health awareness initiatives** (including health education, preventive screenings, and health risk assessments)
- **Makes efforts to maximize employee engagement** (including mechanisms to encourage employee participation)
- **Provides initiatives to change unhealthy behaviors** and lifestyle choices (including counseling, seminars, online programs, and self-help materials), and
- **Creates an overall supportive environment** (including workplace policies to encourage healthy lifestyles, healthy eating, increased physical activity, and improved mental health)

For state and local government employees, employer costs for insurance benefits in September 2010 were \$4.80 per hour. The largest component of insurance costs was health insurance, which averaged \$4.65 per hour per employee – close to \$10,000 per year per employee. **If you take no action** you can expect healthcare costs to increase about 6%-12% per year. That means anticipate an additional \$1,000 in annual costs per employee – certainly more than the cost of a good wellness program.

The average employee has at least 2 risks linked to increased healthcare costs, decreased productivity, and increased absenteeism. Together, these health risks could cost the average employer an additional \$9,000 yearly. This shows the real potential for savings from a well-designed wellness program, which can cut these risks in half or even eliminate them.

With an effective wellness program you can also benefit from improved productivity (the average economic impact of health risks on productivity is

\$2,000 per year per employee), decreased worker's compensation claims, decreased employee turnover (studies show a 20-30% decrease), and improved employee morale. Plus, employees are happier, less likely to develop serious disease, and more likely to live longer. (The average potential increase in longevity is 4.5 years per employee.)

ALL ORGANIZATIONS HAVE A CHOICE

You can choose to take a reactive approach to healthcare – where you pay for health problems after they develop and continue to see your healthcare costs climb. Or you can take a proactive approach – where you invest in the health of your employees, trim healthcare costs, and improve productivity. The proactive wellness approach clearly makes good business sense – for employees and employers.

When a finely tuned, comprehensive workplace wellness program is in place, everyone wins!

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