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TO LIVE WELL AND BENEFIT

Measuring the ROI of Corporate Wellness

A Viverae White Paper

Executive Summary

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Since 1999, increases in employer-sponsored health care costs have far exceeded the rate of overall inflation – up to as much as four times in some years.[1] Most U.S. employers have responded to this crisis by instituting corporate wellness programs designed to encourage employees to live healthier lives so that costs for health coverage would decrease. A majority of respondents say they adopted wellness to control health care costs: 34 percent have adopted wellness initiatives to combat the rising cost of health care insurance premiums, 26 percent as part of a health care cost-containment strategy.

A majority of the respondents say their programs have been in place for more than two years, long enough to see a return on their investment (ROI). However, only 64 percent say they are satisfied with their programs. Should they be? What is the return on investment of these initiatives? A recent Viverae survey found that although most respondents understand that the impact of a wellness program should be measured, many key metrics to achieving a good assessment remain unmeasured.

Key findings from our survey show that room for improvement exists with most wellness programs:

- Sixty-two percent of respondents say their organizations analyze the effectiveness, cost savings and return on investment of their corporate wellness programs.
- Employee participation is the most tracked metric, with 89 percent saying it is a very important measure. Respondents also list behavioral changes (84 percent) and employee satisfaction (74 percent) as very important measures.
- Although 87 percent of respondents say their program tracks participation, only 63 percent say their organization regularly monitors employee satisfaction.
- Only 61 percent say their organizations assess changes in biometric measures, and 55 percent say their organization assesses and monitors the health status of at-risk employees.
- Few respondents say they are tracking productivity metrics, and 34 percent don't measure absenteeism, turnover, morale or productivity at all. Only 29 percent monitor the impact on absenteeism, and a mere 18 percent monitor the impact on turnover, morale or productivity.
- Only 55 percent say their current wellness provider has the capability to analyze medical and pharmaceutical claims data, most use this data for cost analysis (95 percent).

At Viverae, we believe that tracking ROI is critical to the success of a worksite wellness program. We recommend these five best practices for employers who want to improve wellness program performance in their organization:

- Design a comprehensive program for all employees
- Integrate incentives into the plan design
- Validate your efforts with biometric screenings
- Offer multiple program modalities
- Engage employees with effective health awareness programs

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[1] 2007 Health Care Costs: A Primer. The Henry J. Kaiser Family Foundation. http://www.kff.org/insurance/upload/7670.pdf

What do Employers Want from Wellness?

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"Employers want a cost-containment solution, and the only way to do that is to begin to understand the relationship between health risk factors and how they drive cost," says Mark Head, Chief Solutions Officer of Viverae. "Risk factors increase the unnecessary and avoidable utilization of medical services, and that is going to drive up cost. When you understand the correlation between risk and cost, you can begin to understand how to measure the cost savings from reducing those risks."

It is clear that most companies – 60 percent in this survey – adopt wellness programs to stem rising healthcare costs. But despite the increasing number of programs, only 64 percent of companies are satisfied with their current program.

Our survey indicates the following information on corporate motives for adopting a wellness program:

- Combat rising cost of health insurance (34 percent)
- Contain health care costs (26 percent)
- Identify high-risk individuals and encourage lifestyle changes (16 percent)
- Increase productivity (11 percent)

Incentives Come With the Turf

Regardless of whether they are realizing the same motives metrics, companies believe one thing without question: Incentives can increase participation. Eighty-nine percent of corporate wellness programs offer incentives, including:

- Merchandise and gift cards: 53 percent
- Promotional items (t-shirts, stress balls, water bottles): 44 percent
- Pre-tax cash in HSA or FSA account: 32 percent
- Health Plan Premium Discount or credit: 32 percent
- Mandatory HRA to participate in benefit plan: 15 percent

"We've been able to generate risk factor reduction on most of our first-year cases," said Head. "A lot of the research and conventional wisdom says that it is going to be three years before you see a return. If you can show a return in the first year, the issue becomes 'can we increase participation and do this again'? You need a three-year time horizon to determine if you have started a trend."

What Are Employers Tracking To Measure ROI?

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"There are two ways to define ROI," according to Mark Head. "First, are you saving money on medical costs in absolute terms ('I spent $5,000 per employee last year and this year I spent $4,900')? You can also say that ROI comes from slowing down the rate of increase in health plan costs. If your trend was running 10 percent per year for four years, but with a wellness program, your trend is running at 5 percent per year, that's a cost savings generated by slowing down the progression of risk.

"One of the problems with traditional approaches to cost containment has been that they've focused on the price of services rather than utilization," said Head. "However, if you were averaging one doctor visit per employee, and your average goes up to 1.3 visits per employee, your expense will go up with the utilization, even if the price goes down. We try to impact utilization and get employees healthier by increasing their awareness of risks and having them take steps to improve their health."

So what are employers tracking to measure ROI?

They certainly are measuring participation. Eighty-nine percent of survey respondents said it was very important to track participation and 87 percent said their program actually provides that measurement.

According to Head, "You must monitor participation. It's hard to say a participation metric by itself is directly linked to ROI, but if you don't get your people participating at a certain critical mass threshold, you aren't getting enough people involved to generate ROI."

In other areas, however, there is an obvious disconnect between what employers believe to be important and what their programs are in fact tracking. Only 62 percent of respondents say their organizations analyze the cost effectiveness, cost savings and return on investment of their wellness program initiatives.

More specifically, while 74 percent say it is important to track employee satisfaction, only 63 percent monitor this. The same is true in other areas relative to ROI, including tracking behavioral change and biometrics.

Measurements Employers Need vs. What Their Programs Track

- **Behavioral changes:** 84 percent say tracking these are important, but only 55 percent regularly assess and monitor the health status of at-risk employees.
- **Biometric measures:** 74 percent say tracking biometric measures is important, but only 61 percent say they assess changes in biometric measures.
- **Employee satisfaction:** 74 percent say it is important to track employee satisfaction, but only 63 percent say they monitor it.

Even though companies are trying to reduce health care costs, only a slight majority (55 percent) say their current wellness provider can analyze claims. Among those who do collect claims data, only 57 percent use it to generate follow-up contact with employees to help further reduce health care costs.

Claims analytics are increasingly important in evaluating the impact of health management programs. The capability to apply business intelligence to sophisticated financial and clinical metrics helps expand the membership base that is targeted for outreach, as well as supporting more in-depth discussions with members about their health issues.

"You can see what employees with chronic conditions are spending and match it to their health score and correlate risk and cost," said Head. "You can also compare the claims experience of members to non-members and see if utilization is lower.

"If you can say diabetics who are in the program are spending $1,300 a year less than diabetics who are not in the program, that's one way to look at ROI," he continued. "We know from the American Diabetes Association that non-compliant diabetics spend more money on health care costs than compliant diabetics. So we can build outreach lists that target these individuals and get them to go to the doctor."

The Use of Claims Analysis

Only 55 percent of respondents say their current wellness provider can analyze medical and pharmaceutical claims data. Here is how most of them use that data:

- Cost analysis (95 percent)
- Trend analysis (76 percent)
- Utilization analysis (67 percent)
- Clinical compliance analysis (33 percent)

"Claims analysis can add an extra dimension (to a wellness program) and can make it a more predictive process," says Jeff Brizzolara, Ph.D., M.P.H., Viverae's Chief Clinical Officer. "You can see not only what an individual has spent, but also anticipate how much more an individual will spend and step up outreach efforts as a result. We can even target people who haven't had a mammogram, a PSA exam or physical. Preventive care is always cheaper than rehabilitation or a major surgery."

Going Back to the Employee

Only 57 percent of companies whose wellness programs collect claims data use it to generate member lists for outreach. These include:

- Chronic conditions (92 percent)
- Preventive care (83 percent)
- Medication adherence (50 percent)
- Depression/mental (42 percent)
- Predicted costs (33 percent)

With health care cost reduction being the driving force for most corporate wellness programs, one might assume that measuring the results on job performance would take a back seat. The survey found that to be the case.

Thirty-four percent of respondents do not measure absenteeism, turnover, morale or productivity at all. Only 29 percent monitor the impact on absenteeism and only 18 percent monitor the impact on turnover, morale or productivity.

According to Mark Head, "Absenteeism is relatively easy to track — did the employee show up at work? But a lot of employers don't measure that. And it's harder to discover if they missed work because they were sick, and, if so, why were they sick? Productivity, however, is even tougher. How did their illness impact their ability to do the job? Presenteeism is a huge issue for employers when an employee is at work for eight hours, but is only getting four hours of work done because they're in pain, sick, or stressed out."

Which ROI Factors Should Employers Track?

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"If you know what you are doing to reduce risks and you succeed at reducing them, go back to the claims data and see if it impacted utilization and if it saved money," says Mark Head.

"Did we close gaps in care? If participant costs are increasing, are they increasing at a slower rate than non-participants'?" he says. "All of these are ways to measure ROI in a broader sense, but it's still hard to measure causality. The larger the data sample, the stronger the correlation from those activities can become."

Data for Effectively Measuring Wellness Program ROI

To accurately determine ROI, a wellness program must track lifestyle and biometric factors:

- Weight or BMI
- Blood pressure
- Total Cholesterol
- Glucose
- LDL
- HDL
- Triglycerides
- Ratio of HDL to Total Cholesterol
- Waist circumference
- Physical activity
- Stress
- Nutrition
- Tobacco use
- Alcohol use
- Sleep
- Life satisfaction
- Self-perception of health

Businesses Should Expect More from Their Wellness Program Provider

Like any other business initiative, organizations should expect business results from their corporate wellness initiatives. As with any other part of your business, measuring results hinges on having the following meaningful data:

- **Participation:** This is the easiest to measure. If employees don't like the programs you are offering, they will simply stop participating. Winning them back can be difficult.
- **Satisfaction:** This is another easy one to measure. The thing to remember is to take criticism seriously, but not personally. People love to complain, but if you listen carefully, they will let you know what is working and what isn't.
- **Behavior changes:** Because the Center for Disease Control has determined that about 75 percent of health care costs and productivity losses are related to lifestyle choices, changing behavior is critical if your program hopes to reduce health care costs.
- **Biometrics:** Blood pressure, body weight and cholesterol are great evaluation targets and easy to track over time, if you keep employees engaged and collect this data at least annually.
- **Productivity:** The way your employees live affects how productive they are, which in turn impacts the level of service your company provides to its customers. Absenteeism measures, especially missed work days due to sickness, can also be valuable factors to determine the impact and ROI of your program in addition to measuring health care expenditures.
- **Medical claims:** At least 25 percent to 40 percent of all health plan claims are avoidable through prevention, early detection, and reducing modifiable health risk factors. Some studies say that these numbers are as high as 50 percent to 70 percent! By analyzing the organization's potentially modifiable health care costs, a wellness provider can make a significant contribution to advancing organizational goals.

Best Practices to Achieve ROI

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Companies that are able to demonstrate ROI for their corporate wellness initiatives typically share these five elements, most notably a comprehensive program, meaningful incentives, measurable biometrics, multiple program modalities, and communication programs that engage employees.

1. Design a comprehensive program to apply to all employees. Include healthy as well as at-risk employees. Don't exclude either from health assessments or screenings. Low-risk individuals need the opportunity to participate as much as high-risk individuals.

"The reporting needs to include the entire population, even though the primary focus is on the high-risk and moderate-risk employees," Jeff Brizzolara says.

2. **Integrate incentives into the plan design.** The best programs have engaged and supportive management, and they tailor incentives to their unique employee population. According to Brizzolara, "Most of the problems with wellness programs come back to incentive design and program design."

"Sometimes you need to ask employees what would motivate them," said Brizzolara. "Cash, prizes, premium discounts, personal time off (PTO). The company has to decide what it will support. Every workforce is different. For some, a t-shirt or $25 gift card works, but we're seeing aggressive employers moving to as much as $500 per year in premium credits."

A few other pointers about incentives

- **Be aware of differences within your population.** For example, one of the reasons more employers are moving to discounts on health insurance premiums is that it directly links program participation to insurance costs and – at least by implication – to the utilization of medical services. "You have to look at the composition of your workforce," Brizzolara says. "We can make recommendations, but if they don't match with a client's needs, we will work to find something that does."
- **Be careful you don't offer too much too soon.** "If you start too big, you can't go back," Brizzolara cautions. "We find it's better to introduce a modest but meaningful incentive to test the waters and move up from there."
- **Make the incentives meaningful.** Although there is some research to show how much incentive is necessary to get employees to change their behavior, Brizzolara says that most of Viverae's clients receive between $200 and $500 per year, whether in cash-back incentives or insurance premium discounts. "It might not take that much, depending on the employee audience, but we're also seeing larger employers move up the scale to attract higher participation," Brizzolara said.
- **Keep the incentives going and make them achievable.** Integrating incentives into the program means you can't finish the program after three months; you require employees to remain engaged for the entire year. At the same time, incentives need to be achievable, but also a bit challenging. "If it's just a drawing out of a hat with only one winner, many employees will wonder why they should bother," Brizzolara says. "However, if everyone can receive something if they achieve their personal goals, you will drive participation. Employers need expectations that are in line with what's achievable, and the health management company must be clear with what's expected to get the required ROI. Both need to work together."

3. Validate your efforts with biometric screening. Health risk assessments are just part of the process for tracking employee health. Because health risk assessments are self-reported, the data can't really be validated. Biometrics data is validated by definition.

"Biometrics take it to the next level," Brizzolara says. "They give you objective, measurable results. When you are in the health field, you'd think that most people get these kinds of tests performed routinely, but it's amazing how many people have never had their cholesterol measured."

Another advantage of biometric screenings is the personal time it offers between the employee and a health professional who can interpret the results. Many employees may not necessarily know what 'HDL' is, but if it's explained to them on the spot, then it's less likely that they will walk away with unanswered questions.

A biometric screening can also indicate if there is an immediate health risk for a participant.

"Sometimes a person needs to see a doctor right away," Brizzolara says. "We've told people in a screening to schedule a doctor's appointment immediately. In one instance, the member's blood pressure was so high, we asked him to go immediately to the emergency room where he discovered he had already suffered a minor heart attack."

"But even if all you are doing is getting employees to take advantage of preventive care, get them on maintenance medication or to improve their diet and start an exercise program, it is less expensive than treating a major medical event such as a heart attack," says Brizzolara.

Getting Around the Privacy Bugaboo

When it comes to gathering biometrics, the big obstacle for many is privacy. Employees who opt out are often concerned their employer will be looking at their personal health information.

It's important for the company manager of the program to understand how private the information is and to be able to communicate that clearly and with confidence to the employee population.

"From our standpoint," Brizzolara says, "we do not share that information or report it back to the employer. The minimum size of our employee pool for biometric measures is 25-50 people, and it will be set up in a way so individuals in the group cannot be identified."

4. Offer multiple program modalities. Some corporate wellness programs are only online and completely self-directed. The best providers go further because that approach can't work for all of the employees.

"Employees need a way to communicate by phone, secure message or at on-site events," Brizzolara says. "They need a target-based outreach program where high-risk individuals are engaged more often. Having great, engaging people on the phone or by email is a key to the success of a program."

5. Engage employees with effective health awareness programs. "It's usually pretty easy to get high participation at the start of the program," Brizzolara says. "But we have to be creative with the communication, the marketing, with the incentives – and have great people on the phone – to keep them engaged."

The best wellness communication strategy is to be engaging but not threatening. The efforts are ongoing throughout the year and, importantly, are branded to the company as well as customized for all of the activities.

"We help clients brand their program, relate it to their company and their business," Brizzolara says. "It helps create what we call a *cultural health identity.*"

"You want programs that are fun and interesting, that keep employees involved, but at the same time are going to lower their health risks," according to Brizzolara. A sense of partnership between the employer and the program provider is crucial to identify targets to drive behavior change – whether it's diet or exercise, weight control, stress management or tobacco cessation.

If you know from your health plan claims analysis that employees have certain health risks, then you can target those risks through your program and highlight them in your communication materials.

On the other hand, don't make the mistake of only targeting the most prevalent health risks or the ones that are the most popular, such as weight management. "Weight management programs are popular, that's true, but you may not draw in those employees who have a healthy body weight and you won't have an incentive to attract them," said Brizzolara.

Corporate wellness programs that are truly customized – in both their components and their branding and marketing – have a greater chance of success. This is particularly true when the communication makes it abundantly clear that the wellness program is a company initiative backed by a team of health care professionals.

"It's important for the employee to understand it's not just powered by us." Brizzolara says. "It's their company's program, with a team of health professionals behind it. We're just the facilitators of the program. The employee has every opportunity to take advantage of it, earn their incentives and improve their health status."

More specifically, promoting the personal aspects of the program, such as the Health Professional feature, is a major draw and can firmly establish the link between the company and the program provider.

"Access to a Health Professional – both Health Specialists and Clinicians – creates a sense of a long-term relationship and is a better way of getting the results the employer wants and keeping the employee more comfortably engaged," said Brizzolara.

Methodology and Demographics

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Methodology

The survey, "Trends in Measuring the ROI of Corporate Wellness," was sent via email to nearly 21,000 professionals. Because of the large number of respondents that participated in this survey, we are 95 percent confident that the responses of the population to the survey questions would be +/- 5 percent from the figures stated herein. All respondents answered the questionnaire via an online survey tool and were assured of their confidentiality. Their responses will be used only in this aggregate analysis.

Demographics

Almost one-third of respondents (32 percent) were senior management, consisting of either C-level, vice presidents or directors. Another 40 percent were manager level. Most represented small- to medium-size businesses, with 43 percent from organizations with 501 to 5,000 employees and 31 percent from companies with 51 to 500 employees, 21 percent from organizations with more than 5,000 employees and 5 percent from organizations with 50 or fewer employees. All (100 percent) said their companies had a current wellness program in place.

About Viverae

Founded in 2003, Viverae (viv-AIR-ä) is a national provider of comprehensive health management solutions that helps corporations reduce health care costs through improved employee health. Dallas-based Viverae helps employers and their employees control health care costs by identifying, addressing and reducing health risks before they turn into significant medical expenses. Viverae's programs are a unique combination of assessments, outreach, activities and employee incentives, based on each client's culture and health profile. For more information, visit us online at www.viverae.com.

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