Incenting Businesses to Make Wellness a Strategic Objective

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Employers are not the only market force that can invest in and benefit from employee health & wellness.

- Employee Satisfaction
- Direct / Indirect Financial Benefits
- Financial Gain
- Incentives to Employers
- Develop and Fund Health & Wellness Programs
- Achieve Public Sector Goals
Employee health & wellness can deliver strategic benefits to employers

Changing Workforce
- 1 in 4 people in the labour force will be >55 by 2021
- 1MM jobs will go unfilled by 2020

Rising Costs of Healthcare
- Drug costs expected to rise by 2.5-3x by 2019
- Employer benefits costs can rise up to $11K per employee by 2019

Employee Health Issues
- Absences (sick days) cost the economy $16.6B in 2011
- 20% of Canadians will experience mental illness in their lives

Potential Employer Benefits of Health & Wellness Programs
- Employee Satisfaction & Retention
- Reduced Health Benefits Costs
- Increased Workforce Productivity

Sources: Statscan, Conference Board of Canada, Mercer, Canadian Mental Health Association
Health & wellness programs can tangibly improve employee satisfaction and retention

45% of employees agree H&W programs would encourage them to stay in their current job

77% believe H&W programs positively impact work culture

- Employers can build a highly engaged workforce by creating a positive work culture through health & wellness programs
- 83% of Canadian employers see healthy workplace culture as the desired wellness program outcomes
- Through enhanced workplace culture driven by health & wellness strategy, employers can:
  - Attract better staff
  - Improve employee morale and lower turnover

Source: Principal Financial Group, Virgin HealthMiles, Aon Hewitt
Health & wellness strategies can lead to direct financial benefits from reduced disability / healthcare costs

- Through effective health & wellness programs, employers can identify high risk groups within employees and develop targeted preventive and management strategies
- By employing the right health & wellness strategy, employers can:
  - Reduce short and long-term disability payments
  - Reduce employee benefit costs
  - Lower worker’s compensation claims

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**Case Study**
Alberta School Employee Benefit Plan

- ASEBP’s total benefits cost was expected to increase by 123% from 2007 to 2018
- Through **predictive analytics and modeling**, ASEBP identified high risk groups and allocated health investments accordingly
- As the result, ASEBP achieved 4-5% reduction in average benefits cost per capita, resulting in 700%+ ROI
Focus on health & wellness can also drive indirect financial benefits from increased workforce productivity

**Average revenue** per employee of companies with effective health & wellness strategies are **40% higher** than low-effectiveness companies ($132K per employee)

- A strong link exists between highly effective health & wellness strategies and strong human capital and financial results
- Effective health & wellness programs can trigger employees to improve in lifestyle including nutrition, physical activity, and tobacco use
- These lifestyle improvements can deliver indirect financial returns employers through:
  - Increased productivity at work
  - Reduced absenteeism

**Case Study**
**Safeway Health Measures**
- US retailer, Safeway implemented a new wellness management program, linking employee’s behaviours to their portion of health benefit premiums
- Safeway’s wellness program helps employees identify major health risks and take steps to maintain desired health profile
- Through this program, Safeway was able to reduce absenteeism by 28%
However, employers are experiencing limited success in generating financial benefits from wellness programs. 

Percentage of Employers Indicating Satisfaction with Health & Wellness Programs in Delivering:

- Employee Engagement / Satisfaction: 61%
- Change in Employee Turnover: 36%
- Change in Absenteeism Rates: 27%
- Change in Drug Costs: 25%
- Change in Disability Costs: 18%

How can private and public market forces incentivize employers by improving efficacy?

- Only 15% of employers have invested in improving healthcare programs over the past couple of years and <10% has a plan to do so in near future.
- Only 47% Canadian employers find health & wellness as an essential component of organizational strategy.

Source: Medisys, Mercer, Towers Watson
## Private sector ecosystem can help employers improve returns on health & wellness programs

<table>
<thead>
<tr>
<th>Private Sector Constituent</th>
<th>Insurers</th>
<th>Wellness Programs (For Profit and NFP)</th>
<th>Labour Unions</th>
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</thead>
<tbody>
<tr>
<td>Potential Lever</td>
<td>Link premiums to wellness programs</td>
<td>Create integrated, innovative wellness offerings</td>
<td>Push for wellness offerings in negotiation</td>
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<tr>
<td>Benefits to Private Sector Constituents</td>
<td>Reduce overall claims payouts by helping employers identify high risk employees and proactively prevent illness through wellness programs</td>
<td>Consolidate employers’ health &amp; wellness spending and increase market share by providing wellness offerings with clear ROI</td>
<td>Focus on improving and maintaining health &amp; wellness of employees as negotiations strategy rather than increased illness coverage</td>
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<tr>
<td>Incentives to Employers</td>
<td>Reduced health &amp; disability benefits costs</td>
<td>Availability of measurable, end-to-end wellness options</td>
<td>Gain employee support and increase satisfaction</td>
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Public ecosystem constituents can achieve their own objectives by proliferating employer wellness strategies

<table>
<thead>
<tr>
<th>Public Sector Constituents</th>
<th>Government</th>
<th>Industry Associations</th>
<th>Workers Comp Boards</th>
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<tr>
<td><strong>Benefits to Public Sector Constituents</strong></td>
<td>Regulatory reforms</td>
<td>Recognize top employers based on H&amp;W strategies</td>
<td>Link premiums to preventive wellness offerings</td>
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<td>Tax incentives</td>
<td>Gain reputation as leader in health &amp; wellness as an industry by actively promoting and recognizing health &amp; wellness strategies at member firms</td>
<td>Reduce overall resources and costs required to pay claims and manage medical cases by rewarding employers who take preventive measures</td>
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<td>Reduce public healthcare spending and vitalize economy with increased productivity through regulatory/policy realignment</td>
<td>Better reputation and brand</td>
<td>Reduced workers compensation premiums, modified work and other labour costs</td>
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<td>More effective wellness programs through “freer” health market</td>
<td>Talent attraction</td>
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<td>Financial savings</td>
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Summary

Key Takeaways

1. Employers can materially benefit from treating employee health & wellness as a strategic objective.

2. Limited satisfaction with financial outcomes has prevented employers from placing more strategic importance on health & wellness.

3. Public and private sectors can also benefit their own bottom line by incentiving employers to make health & wellness a strategic objective.
Questions to think about

- What are the key initiatives your organization has introduced in the past 2-3 years to advance employee health and wellness?

- Given the business environment you work in, what internal or external factors would increase your organization’s focus on employee health and wellness?

- How can your company play a role in incenting other employers to focus on their employee health & wellness?