

Employee Benefit Plan Review

MAY 2009

Focus On... IN THESE ECONOMIC TIMES

Why Wellness Programs Make More Sense than Ever During Challenging Economic Times

BY KENT M. GRATHWOHL, VICE PRESIDENT, GROUP ASSOCIATES, INC.

All too many employers, employees and their families are discovering firsthand, trying economic times can exact quite a toll both personally and professionally. While much of the business and media focus centers around the potential financial and productivity impact that a recessionary cycle can exert on the bottom line, less attention is being paid to the health and well-being of every company's most vital asset: its employees.

This is a mistake.

WHY OFFER WELLNESS PROGRAMS?

The physical, mental, and emotional health and stability of a workforce is absolutely vital to both the short- and long-term success of any business venture. While it can be tempting during an economic downturn to fail to prioritize, or perhaps to even cut benefits, such an approach can actually be counterproductive. While benefits administration naturally suffers from the same shortfalls and budgeting challenges as every other aspect of a business, there are options for firms willing to explore new ideas. Some forward-thinking firms, in conjunction with insurers and benefit management solution providers, are implementing a range of innovative new wellness programs that are demonstrating eye-opening success for a

minimal investment of time and energy, and little or no capital expenditures. These increasingly popular programs are proving that it is possible to not only hold the line on costs, but also to make a significant positive contribution to overall employee health and productivity, and actually save money in the process.

Many of these newer programs feature subtle but important modifications to a company's health plan designed to reduce health care costs, reward employees for healthy lifestyle choices, and utilize the most popular and effective wellness and consumer-driven concepts to create a behavioral shift among employees. The great value of these wellness programs is their ability to "bridge the gap" by rewarding healthy lifestyles with deductible reimbursement credits. Unlike other, more traditional wellness options, employers frequently enjoy immediate savings.

WELLNESS PROGRAMS FOR TODAY

Why do wellness programs make sense considering today's economic conditions, and how do these initiatives actually work? What can employers do to encourage these behavioral shifts in their organizations and what are some of the questions and potential stumbling blocks that employers may encounter as they work to implement these programs? How can a company evaluate what wellness programs make

the most sense for them, and finally, what does the future hold for this promising new trend?

The origins of this new wellness phenomenon are evolving in response to a number of trends. Experienced benefits providers, managers and administrators have begun to notice a pattern in recent years: traditional wellness and incentive programs are structured in such a way that certain inherent limitations hinder the effectiveness of the programs. One recurring problem is that incentive, or "carrot" programs tend to primarily see much stronger levels of participation by those employees who are at the healthy end of the spectrum and who are already self-motivated to participate. At the other end of the equation, high-deductible, or "stick" programs, suffer from a different problem. Sometimes seen as too personally and financially punitive, they are only partially effective and their ability to generate significant and sustainable long-term positive behavioral shifts is limited. On the one hand, the promise of a few extra dollars in savings or incentives is frequently not enough of a participation driver—featuring stand-alone incentives that are too small or too abstract to get a tired or out-of-shape employee to the gym—and on the other, while high-deductible programs may be able to encourage small-scale changes to financial behavior, they are

less likely to motivate significant healthier lifestyle choices.

What distinguishes this newer and more promising brand of wellness programs from the carrot-and-stick dichotomy of the past is their ability to overcome—or at least mitigate—the frustrating motivational and logistical obstacles of the past by introducing the idea of wellness in a whole new light. The best new wellness programs present healthy habits and behaviors as part of a broader spectrum of strategies and a new and improved mindset, rather than a limited set of tactics with no cohesion or context. They approach the issue of overall wellness as something that is impacted by *lifestyle* choices, instead of focusing only on a specific selection of health conditions. They use a mix of positive reinforcement and motivational strategies and are structured in such a way that the employer is made an integral part of the process; an active participant rather than just a disinterested facilitator. The comprehensive nature of the programs encourages the support and positive modeling that comes with well-designed group participation, and gives credit for *participation*, as well as successful results.

The flexibility of these programs, as well as their emphasis on small positive steps and encouraging trends rather than merely a calculating bottom-line mentality, not only reassures employees that wellness goals are not discriminatory, but also reinforces the idea that they are inclusive, encouraging, and offer up a legitimate option to help all employees make small, incremental changes and work toward realistic and achievable goals. What about the details, however? For employers interested in participating in these new wellness programs, what are some of the important questions that need to be answered?

How to Get Employees Interested and Engaged?

Participation starts from the top down. A program on autopilot is unlikely to succeed, and virtually all of the most dramatic wellness success stories have come about in large part as a result of enthusiastic employer support. Part of that support involves understanding how to encourage employees in a supportive, but effective motivational manner. For a wellness program to realize its full potential and make a significant impact, employers *must* be

willing to encourage employees in a strong way. Enthusiastic executive buy-in includes being ready, willing and able to share positive statistics and potential savings with employees, and to understand that slow and steady wins the race; even baby steps can yield *enormous* result. Perhaps most important of all is an employer's understanding of quality administration, and the willingness to undertake or implement the administrative framework that is vital to a successful program.

How Do You Know It Works?

Simply put, the statistical evidence is overwhelming; investing in wellness pays dividends—literally! While specifics differ slightly, any reasonable interpretation or straightforward analysis reveals numbers that are as startling as they are persuasive; the potential savings are extraordinary. In fact, what is even more encouraging is that the return on investment trend is only getting better. Dee Eddington, a well-respected wellness expert and Director of the Health Management Research Center at the University of Michigan, has quoted widely accepted studies that show a return of \$3 for every \$1 invested in wellness programs. More recently, another large study released by PricewaterhouseCoopers revealed that the \$3 figure may be too conservative; the study found an investment return that has increased to \$6. Numbers quoted by Blue Cross and other organizations have shown that an employer can save between \$1,000 and \$3,000 on health care costs for every employee that successfully quits smoking, and that overweight employees cost a company \$200 a year more than the average employee. On the positive side of the wellness equation, more than half the companies offering health promotion activities report a noticeable decline in absenteeism and an increase in overall productivity, and many report a reduction in health care costs.

How Do You Convince Employees That Wellness Is About Lifestyle; Not Health?

The most effective way to convince employees that wellness is about not only saving money, but about making their lives better is to *show* them. Experienced benefits providers and administrators will encourage a group dynamic and a leadership model where upper level executives and respected employees are brought on

board first to serve as role models and supporters. Employee circles that extend out to sometimes include the spouse and/or family can also encourage participation. The best wellness programs are set up as an incentive instead of a disincentive, fostering an environment where employees with bad habits are not penalized, but are perhaps more likely to assume greater responsibility for their behavior and see the direct results of their habits—whether good or bad.

THE FUTURE OF WELLNESS INITIATIVES

The future looks bright for this rapidly growing trend. Most five- to 10-year projections see large spikes in activity and increasing popularity as wellness programs continue to expand in effectiveness and popularity. These programs have a particular resonance in the current economic crisis, where employers in several industries (the auto industry is an ideal example) are being forced to cut costs wherever possible. Wellness is an excellent way to accomplish three objectives—reducing costs, improving employees' lives, and creating a better workforce. Wellness programs can be a bit more complex to manage than traditional health programs, and an experienced provider of benefit management solutions can be an invaluable partner in their adoption and administration, when done well, and can be a tremendous asset. They are flexible, can be customized to individual employer needs, and, with management buy-in and enthusiastic participation, can virtually guarantee a rollback in actual costs. That reduction can lead to reduced employee contributions and possibly even lower deductibles if lifestyle goals and criteria are met. For those companies trying to navigate a rocky economic landscape and move forward in a positive direction, wellness is an appealing and potentially transformative option. ●

Kent M. Grathwohl is a wellness program expert and vice president of Bingham Farms, MI-based Group Associates, Inc., offering companies proprietary benefit management solutions and the resources to meet their benefit administration and brokerage needs. He may be contacted at kent.grathwohl@groupassociates.com.