



Employer Health Management eNews . . . News & Insights for Managing Employee Health and Productivity

MAY 2002

This is a complimentary eNewsletter that provides perspective and reports on employer health management news, trends and market research studies.

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PERSPECTIVE

Note: This is the fourth in a multi-part series of Perspectives on the case for managing health as a strategic business asset. The first Perspective provided the set-up in the form of a five-point rationale.

1. Human capital is an essential business asset.
2. Health is a primary factor in human capital efficiency and effectiveness.
3. In general, population health is deteriorating due to age and health behaviors that cause disease and disability.
4. Strategic intervention can reduce health risks, improve how well employees manage their diseases and reduce employee absence and disability.
5. Therefore, taking an active role in managing employee health can yield comparatively higher human capital value and a sustainable competitive advantage.

The next two Perspectives dealt with point #1 above. This month, we'll dig into point #2: Health is a primary factor in human capital efficiency and effectiveness.

(By the way, the first three Perspectives in this series can be found at www.ehealth-management.com/main_b.asp?P=34899CBENCD.)

A CASE FOR MANAGING HEALTH --- PART IV: THE MAIN THING is THAT THE MAIN THING is THE MAIN THING ... AND THE MAIN THING is PRODUCTIVE PEOPLE

Every once in a while, you'll be in a meeting or presentation, and the person speaking will say something that really grabs you. You quickly put pen to paper and struggle to reconstruct the statement. Like a kid cheating on a math test, you glance at the paper of the person next to you, hoping they also heard the brilliant remark but were more attentive, or just have better short-term

memory. You may even ask for the statement to be repeated or make a point to connect with the speaker after the meeting so you can capture the thought.

Such was the case about five years ago when I was in a meeting with a large health system. It was there that I first heard their chief strategy guy, Bob Cook, use the phrase: "The main thing is that the main thing is the main thing."

If you just breezed over this phrase in the title of this perspective, it may not have hit you how profound this statement is. Yet its simple truth -- and I often find "profound " and "simple" hanging out together -- is at the core of just about any successful endeavor you can think of. That simple truth is that success in any venture requires that you first focus on the most important outcome. The main thing. Clearly, we are at our best -- as a nation, as communities, as sports teams, as companies and as individuals -- when we clearly understand what the most important "thing" is, and then marshal our resolve and our resources to achieve it.

Very recently, I found "profound" and "simple" hanging out together again in a presentation by Steve Priddy. He was speaking of his experience with the Human Capital Management program at FedEx -- a terrific health and productivity management success story. "Health insurance doesn't really do anything for FedEx," he said, "healthy employees do."

Brilliant!

What Steve was saying was that at FedEx they recognized that "The Main Thing" is not health insurance, but healthy people. Why healthy people? In large part because healthy people are more capable of doing what they're being paid to do ... and more. Unhealthy people, on the other hand, are at a distinct disadvantage in their ability to hold up their end of the employment contract, much less apply any discretionary effort to their tasks.

"Amen!" shouts the congregation of health and productivity converts.

"Show me!" responds the congregation of skeptics and CFOs (pardon the redundancy).

Very well. Let's take a look at some of the growing body of evidence that links employee health and productivity, including health-related absenteeism and health-related work impairment (a.k.a. presenteeism). Note, this is a very top-line summary of some compelling findings, not a comprehensive research review. If you've not seen much evidence that health impacts worker productivity, this should give you enough momentum to get started.

-- Much work has been done on depression. In the JOURNAL OF OCCUPATIONAL AND ENVIRONMENTAL MEDICINE (JOEM), April 2002, Ron Goetzel identifies a number of studies pertaining to work work impairment associated with depression and stress:

- + "Greenberg and colleagues estimated that workers lose as much as 20% of their productivity when depressed because of poor concentration, memory lapses, indecisiveness, fatigue, apathy and lack of self-confidence."
- + "Ozminkowski and associates ... found that depression accounted for approximately 25% in self-reported losses in productivity on days when employees were at work but suffering from depression."



- + "Burton and colleagues (reported that) ... on-the-job productivity losses for distressed workers were also higher than for non-distressed workers, averaging 4.72 hours per week."
- Looking at the impact of allergies on work performance, Wayne Burton, et al reporting in JOEM in January 2001 noted that: "Compared with workers without allergies, employees with allergies who reported using no medication showed a 10% decrease in productivity."
- Based on the administration of the Work Limitations Questionnaire (WLQ), Deb Lerner et al (JOURNAL OF CLINICAL EPIDEMIOLOGY 55, 2002) found that patients with osteoarthritis (OA) "reported that they were limited in relation to performing their physical job demands almost one-fourth of the time ..."
- In a survey of over 2,000 adults age 25 to 54 regarding the impact of chronic health conditions on work performance as reported in JOEM, March, 2001, Ron Kessler et al discovered that 22.4% of respondents reported at least one work loss or work cut-back day in the last 30 days. Of these respondents, the average loss equaled 6.7 days per month.

Stop. Get out your calculator and apply some simple math using Kessler's results. The implication is that every 30 days, for every 100 workers your company employs, there are 150 health-related work loss or work cut-back days. Apply these work impairment factors to your total workforce, dollarize the results, and the productivity costs quickly overwhelm your medical costs.

Nice, but it will take more than back-of-the envelope math to satisfy your CFO that the medical cost line item is not "the main thing." You'll need some real numbers from your company -- numbers that tell the story of the full cost of employee health, including direct expenses and costs associated with employee absence, disability and health-impaired work performance. I recommend two resources:

1. The **INTEGRATED BENEFITS INSTITUTE'S (IBI)** Full Cost Analysis provides companies with the means to measure the full cost of absence, productivity and health by looking at program-level data. Go to www.ibiweb.org/programs/full_costs_study for more information.
2. The **INSTITUTE FOR HEALTH AND PRODUCTIVITY MANAGEMENT** has published The Gold Book, a review of survey tools that can be used to assess health-related productivity issues via self report. We highlighted this resource in our October, 2001 eNewsletter (www.ehealth-management.com/main_b.asp?P=34899CBENCD). IHPM has developed an educational program around the use of survey tools to help organizations put them to use. A session of the "Academy" will precede IHPM's annual meeting in September. For more information, go to www.ihpm.org.

The major finding in "Linking Medical Care to Productivity," a February 2001 research report by IBI states: "When employers evaluate the effectiveness of their health plans based only on medical cost, they risk underestimating the true costs of health conditions by as much as 80%." The research that led to that conclusion, as well as the research identified above is a strong indication that -- when it comes to employee health -- "the main thing" is not medical costs. Rather, "the main thing" is healthy and productive employees.

In our next issue, we'll take a look at trends which predict that the job of keeping employees healthy and productive is not getting any easier. Age and disease statistics indicate that



employers will need a laser focus on "the main thing" in the coming years in order to keep the value of their human capital from eroding rapidly.

NEWS ROUNDUP --- 6 ITEMS

ITEM 1: "STUDY REVEALS 86% OF EMPLOYEES ARE WILLING TO EMBRACE NEW APPROACHES TO LOWERING HEALTH CARE COSTS"

One of the new breeds of "consumer-driven" health plans, HEALTHALLIES, commissioned a survey this past February of the ways employees are planning to cope with health care cost increases. Overall, the findings of the survey indicate that employees are realistic about increasing costs, and anticipate that they will end up paying a rising share of them. Accordingly, employees expect their employers and health plans to leverage their buying power and negotiate preferred pricing for uncovered services. Among the specific survey findings were:

- 85% of employees think that their plan/employer should offer pre-negotiated savings on services that are not being covered.
- 86% of employees would choose a health plan that offered pre-negotiated savings on uncovered services over one that didn't.
- The health care services cited most often for which employees would like pre-negotiated savings were eye glasses (52%), dentistry (47%), eye exams (42%), and uncovered prescription drugs (29%).

This link will connect you to a press release about the survey, as well as information about ordering a complete copy of the survey report
[http://healthallies.com/aboutus/press_release_story.jhtml;\\$sessionid\\$SKMXBKYAAAEA1LAQAF CBQBY?pressID=28](http://healthallies.com/aboutus/press_release_story.jhtml;$sessionid$SKMXBKYAAAEA1LAQAF CBQBY?pressID=28) .

ITEM 2: "A TEMPORARY FIX? IMPLICATIONS OF THE MOVE AWAY FROM COMPREHENSIVE HEALTH BENEFITS"

The April 2002 Issue Brief of the EMPLOYEE BENEFIT RESEARCH INSTITUTE (EBRI) focuses on the potential consequences of the return to double digit health care cost inflation. The most dramatic result might be a movement away from comprehensive health care coverage and the degradation of the health insurance risk pools necessary to maintain such coverage. EBRI also points out that:

"There is growing concern in the health policy community about attempts to 'control' health care costs through the temporary fix of demand-side mechanisms (i.e., enrollee cost-sharing) and abandonment of supply-side, or provider-side, mechanisms (i.e., traditional managed care tools). In particular, there is concern about the impact of these changes on the 125 million Americans with chronic illnesses for whom comprehensive health insurance is essential."

EBRI ultimately concludes that it is likely that trends toward higher cost-sharing and/or reduced benefits will continue, which could have profound effects on insurance market dynamics. This

link will connect you to an executive summary of the 28-page Issue Brief and instructions for purchasing a PDF of the complete document for \$7.50: <http://www.ebri.org/ibex/ib244.htm> .

ITEM 3: "SOCIAL MARKETING: A VEHICLE FOR EMPLOYER-DRIVEN HEALTH PROMOTION AND DISEASE PREVENTION"

As profiled in an April 2002 Executive Brief of the NATIONAL HEALTH CARE PURCHASING INSTITUTE (NHCPI), social marketing is a strategy that can help employers keep their employees healthy and reduce costs. What is social marketing? A short definition is that it is marketing that seeks to influence social behaviors not to benefit the marketer, but to benefit the target audience and the general public. It is a tool that can be used by companies to increase employee awareness of health risks, which can ultimately result in healthier employee behaviors. In the workplace setting, social marketing campaigns typically take the form of incentive programs.

The Executive Brief presents several examples of effective, evidence-based social marketing campaigns such as those for diabetes management, cancer screenings and flu vaccinations. Examples are also presented of employer social marketing collaborations with local health care providers, as a means to share and reduce costs. A clickable listing of NHCPI Executive Brief titles (including the headline of this eNewsletter story) is at <http://nhcpi.net/execbriefs.cfm> .

ITEM 4: "AAHP UNVEILS NEW PRICEWATERHOUSECOOPERS REPORT DETAILING REASONS FOR RISING HEALTH CARE COSTS"

Last year's increase in health insurance costs averaged 13.7%, and left little argument that rising health care costs to continue to be worrisome, if not alarming. The AMERICAN ASSOCIATION OF HEALTH PLANS (AAHP) and PRICEWATERHOUSECOOPERS recently examined the reasons behind "why" health care dollars are being spent, as opposed to "where" health care dollars are being spent. The report released in April "identifies the specific factors that are driving health care costs higher in the health care system, by identifying and isolating the specific drivers of rising costs, and exploring each cost driver in depth to determine how they contribute to the overall cost."

The report identifies the drivers behind the 2002 increase in health care premiums as follows:

- Drugs, medical devices and other medical advances (22%)
- Rising provider expenses (18%)
- General inflation (18%)
- Increased demand (15%)
- Government mandates and regulation (15%)
- Impact of litigation (7%)
- Fraud and abuse and other cost drivers (5%)

To access the full report go to www.aahp.org . Once there, enter "PRICEWATERHOUSECOOPER" (ALL CAPS) in the "Search Here" box. The headline of this eNewsletter story will be one of the clickable "Search Results" items.



ITEM 5: "DIFFERENCES IN HEALTH CARE COSTS AND UTILIZATION AMONG ADULTS WITH SELECTED LIFESTYLE-RELATED RISK FACTORS"

Employees' health risks, such as obesity, stress and general lifestyle, can have a significant impact on an organization's health care cost and performance. These conclusion are from a recent study reported in the current issue of the AMERICAN JOURNAL OF HEALTH PROMOTION (AJHP) that examined the relationship between lifestyle-related health risks and health care costs and utilization in working adults. This is an excerpt from the study:

"A two-year prospective study with no intervention was used to compare health care utilization and costs among 982 employees and spouses ("participants") with different levels of risk. The Participants volunteered to complete a health screening which included a health risk appraisal. After outliers were removed, utilization was higher for participants who had the lowest overall wellness score, high stress and were obese. The likelihood of medical costs over \$5,000 was also higher for participants who had the lowest overall wellness score, high stress and were obese."

As abstract of the article is at <http://healthpromotionjournal.com/publications/journal/ib2002-03.htm> . Information about obtaining a copy the article as well as AJHP subscription information is at <http://healthpromotionjournal.com>.

ITEM 6: DESPITE RISING COSTS, EMPLOYER HEALTH CARE BENEFITS ARE INCREASING

The SOCIETY FOR HUMAN RESOURCE MANAGEMENT's (SHRM) annual survey of what types benefits employers are offering to their employees this year has found that although the costs of health care are rising, employers are still providing generous benefits to their employees. The 2002 Benefits Survey found that "increases are not only seen in the numbers and types of benefits being offered, but also by the percentages of organizations offering the benefits." Here are some of the major survey findings:

Health Care Benefits That Have Increased

- Prescription drug coverage (95%)
- Vision insurance (73%)
- Wellness program, resources and information (58%)
- Well baby program (57%)
- Long term care insurance (48%)

Health Care Benefits That Have Decreased

- Mental health insurance (84% to 76% in the last 5 years)
- On-site vaccinations (66% to 61% in the last 2 years)
- Retiree health care benefits (39% to 31% in the past 3 years)
- Educational assistance (88% to 79% in the last 4 years)
- Career counseling (32% to 29% in the last year)

Complete survey results are available for free to SHRM members at <http://www.shrm.org/surveys>. Non-members may purchase the survey report for \$125 by call the SHRMStore at 1-800-444-5006.

ALSO OF INTEREST

Chuck Reynolds -- Principal and President, Employer Health Management Practice of The Benfield Group -- is now writing a new column called "Productivity & Health" for the HEALTH PROMOTION PRACTITIONER, a how-to publication for individuals and organizations responsible for health promotion programming. For information on receiving a FREE sample issue visit www.hesonline.com , or call 1-800-326-2317.

WWW.EHEALTH-MANAGEMENT.COM --- The employers' connection to online health management information.

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