

Productivity and Economic Benefits Report for

ABC Company

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Contents

Excess Health Claims	1
Presenteeism and Productivity	2
Absenteeism	3
Excess Cost per Risk Factor	4

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Economic Impact

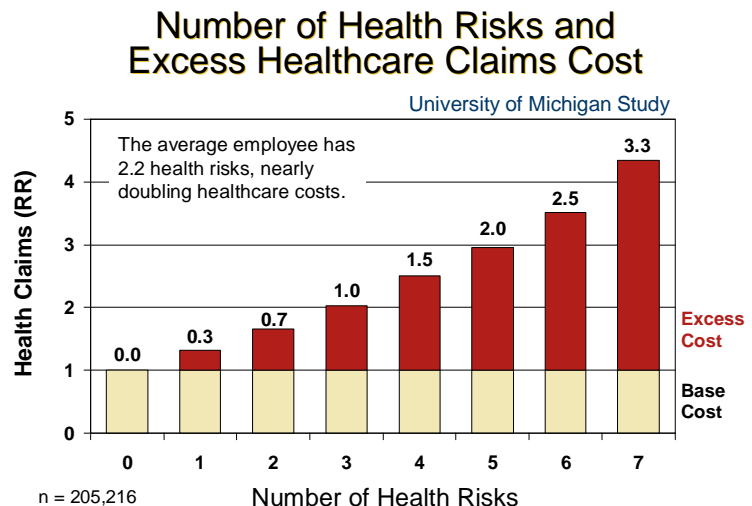
Research shows that poor health practices and existing health risks of employees have a significant impact on an organization's bottom line, resulting in:

- Increased health claims
- Decreased productivity
- Increased absenteeism
- Increased employee turnover rates

This Productivity and Economic Benefits Report summarizes the prevalence of health risks in your organization linked to increased costs and shows potential savings that may be realized by improving the health status of your employees.

Excess Health Claims*

The graph below illustrates the relationship between risk factors and healthcare costs as shown in a study of 205,216 employees by the University of Michigan. As the number of risks go up so do healthcare costs. For example, health claims double for employees with 3 risk factors, and increase by 3-4 times for those with 5 or more risks. The prevalence of health risks in your organization and their estimated economic impact due to increased health claims is shown in the table below.



Health Risks Linked to Increased Costs

- Smoking
- Physical inactivity (no exercise)
- Seat belt use (<90%)
- High alcohol use (>14drinks/wk)
- Relaxation/sleep medications
- Life dissatisfaction
- Poor physical health
- Job dissatisfaction
- High stress
- High blood pressure (140/90)
- High cholesterol (240+ mg/dL)
- Low HDL (<40 mg/dL)
- Obesity (BMI 30+)
- High sick days (6+/year)
- Chronic health problem(s)

*Reference

Based on research from the University of Michigan, Health Management Research Center, Cost/Benefit Research Report, 2006.

Excess Health Claims in Your Organization

Number of Risks	No. of Employees	(%)	Excess Claims*
No risks	408	14%	0
1 risk	617	22%	420,966
2 risks	663	23%	951,792
3 risks	498	18%	1,106,144
4 risks	311	11%	1,002,709
5 risks	173	6%	728,312
6 risks	91	3%	493,565
7 or more risks	77	3%	553,031
Total	2,838	100%	\$5,256,518

Excess health claims due to existing risk factors are \$5,256,518 per year for your organization, or **\$1,852/employee**. This is your potential savings should all risk factors be eliminated. A more realistic expectation is to reduce risks by 10-20% per year over several years as shown below.

Projected annual savings* by reducing health risks:

Health Risk Reduction Goal	Total Savings	Savings/Employee
20% reduction	1,051,304	370
30% reduction	1,576,956	556
40% reduction	2,102,607	741
50% reduction	2,628,259	926

* Increased claims, above base costs, for persons with no risk factors. Projections based on your average health claims of \$3,745/year and 2838 employees.

Productivity Research

The University of Michigan researched the effects of poor health practices and health risks on productivity for 28,375 employees. They found that productivity decreased by about 2.4% for each risk factor present. §

Risks that were most closely linked to the greatest decrease in productivity include:

- Relaxation medications
- Life dissatisfaction
- High stress
- Job dissatisfaction
- Smoking
- Physical inactivity
- Poor health perception
- Obesity (BMI 30+)
- High blood pressure

The average employee in this study had a decrease in productivity of 5% compared to those with no health risks. This amounted to a cost of \$2,132 per employee per year.

***Presenteeism** is a term meaning employees are present at work but their productivity is impaired due to physical and emotional health problems and concerns linked to health risks.

§ **Reference**

Burton WN, Chen CY, Conti DJ, et al. The Association of Health Risks with On-the-Job Productivity, *Journal of Occupational and Environmental Medicine* 47:769-777 (Aug. 2005).

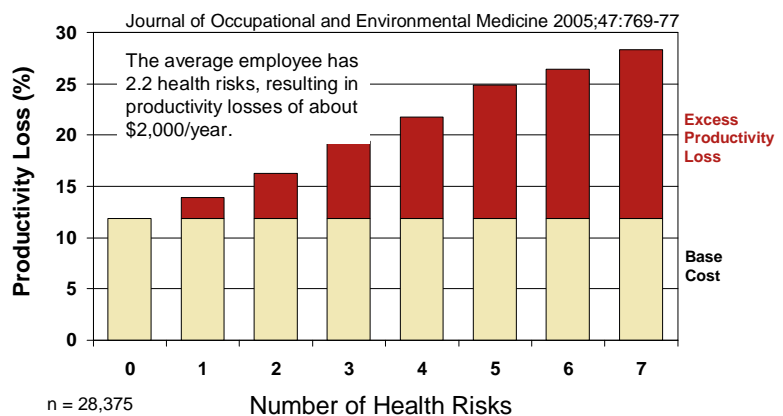
Productivity Savings

Potential savings from improved productivity by reducing risks and enhancing health are usually even greater than potential savings from decreased healthcare expenses.

Presenteeism* and Productivity

The graph below shows the relationship between the number of health risks and their effect on productivity in a study of over 28,000 employees. Productivity decreased as the number of health risks increased. For example, persons with 3 risk factors showed a 6.2% loss in productivity on the average, and persons with 5 or more risk factors showed a 12+% decrease in productivity. The prevalence of risk factors in your organization and their estimated economic impact due to presenteeism are shown in the table below.

Number of Health Risks and Productivity Loss



Productivity Losses in Your Organization

Number of Risks	No. of Employees	(%)	Productivity Loss**
No risks	767	27%	0
1 risk	874	31%	514,786
2 risks	597	21%	814,308
3 risks	346	12%	804,450
4 risks	153	5%	431,613
5 risks	61	2%	245,830
6 risks	30	1%	134,850
7 or more risks	10	0%	50,840
Total	2838	100%	\$2,996,677

Your excess cost due to decreased productivity from existing risk factors is \$2,996,677/year or **\$1,056/employee/year**. This is your potential savings from productivity improvement should all risk factors be eliminated. A more realistic expectation is to reduce risks by 10-20% per year over several years as shown below.

Projected annual savings in productivity by reducing health risks:

Health Risk Reduction Goal	Total Savings	Savings/Employee
20% reduction	599,335	211
30% reduction	899,003	317
40% reduction	1,198,671	422
50% reduction	1,498,339	528

**Projections based on 250 employees with an average wage of \$15.50/hr.

Components of an Effective Wellness Program

The following principles for identifying and reducing risks can assist your organization in reducing its healthcare costs, productivity losses, and absenteeism.

- Conduct an annual comprehensive wellness assessment, including biometrics
- Aim for high participation rates – at least 80% of all employees over 3 years
- Provide follow-up to assist employees with identified health risks to make needed lifestyle changes
- Plan a wide variety of wellness opportunities for employees to participate in all year long including health classes, health coaching, wellness challenges, self-study, and referral to community health events and programs
- Use a health tracking system that provides incentives, rewards, and recognition for reaching personal health goals
- Include frequent health communications that encourage lifelong learning and health enhancement
- Develop a corporate culture that values wellness
- Evaluate your program and measure outcomes to document progress and continued improvement of your wellness initiative

Reference

Healthy People 2010 and NCQA standards for worksite wellness programs.

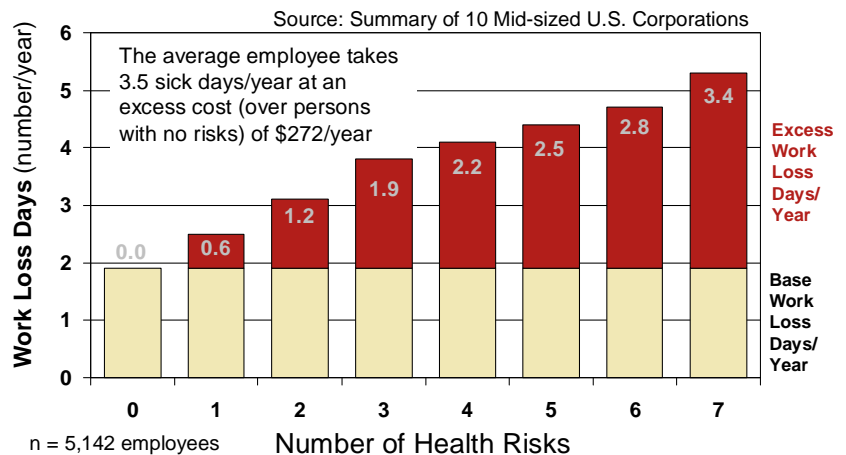
Potential Savings

Research indicates that the improved health of employees provides savings that exceed the cost of a good wellness program. Healthy employees makes good business sense.

Absenteeism

Work time lost from physical or mental health problems or injury is a direct economic cost to any organization. If an employee is absent from work, not only is productivity lost but there may be the added expense of needing to hire temporary employees during their absence. The prevalence of risk factor in your organization and their estimated economic impact due to absenteeism is shown in the graph and table below.

Number of Health Risks and Excess Work Loss Days Due to Sickness or Injury



Absenteeism Costs in Your Organization

Excess Work Loss Days Due to Illness or Injury

Number of Risks	Days lost	# Employees	(%)	Excess Cost*
No risks	1.9	408	14%	0
1 risk	2.5	617	22%	45,905
2 risks	3.1	663	23%	98,654
3 risks	3.8	498	18%	117,329
4 risks	4.1	311	11%	84,841
5 risks	4.4	173	6%	53,630
6 risks	4.9	91	3%	34,980
7+ risks	5.3	77	3%	32,463
		2838	100%	\$467,802

Your organization's average work loss time due to sickness or an accident is 3.2 days/year. This results in yearly excess costs for absenteeism of \$467,802 or **\$165/employee**, compared to persons with no risks.

Projected annual savings by reducing average work loss days/year:

Average work loss goal	Annual Savings	Savings/employee
1.0 day less/year	144,861	51
1.5 days less/year	217,292	77
2.0 days less/year	289,722	102

*Excess cost based on 250 employees with an average wage of \$15.50/hr.

Return on Investment (ROI)¹

Companies that invest in wellness generally see significant savings. One recent review of 7 corporate wellness programs showed average savings of \$3.48 for every \$1 invested. Other companies report ROIs of 6:1 and higher on long-term comprehensive programs.

While medical care plans and pharmaceuticals are expensive, preventive healthcare provided to employees is essentially “free” due to savings realized.

Setting Priorities

When planning interventions to reduce costs, consider these factors:

- Prevalence of the health problem
- Economic impact of the health problem
- Resources and staff for providing the intervention
- Personal interest and readiness to change

Excess Cost Per Risk Factor²

The following list is a summary of estimated excess costs for healthcare, productivity losses, and absenteeism broken down by individual risk factors for your organization.

Risk Factors	No. of Employees	(%)	Excess Cost
• Current smokers	290	10%	454,850
• Physically inactive (no regular exercise)	1046	37%	1,602,194
• Seat belt use (<90%)	141	5%	221,884
• Heavy alcohol use (>14 drinks/wk)	27	1%	23,224
• Use of relaxation/sleep medications	325	11%	508,384
• Life dissatisfaction	451	16%	717,505
• Poor physical health perception	232	8%	377,827
• Job dissatisfaction	529	19%	825,769
• High stress	116	4%	188,968
• High blood pressure (140/90+)	440	16%	680,570
• High cholesterol (240+ mg/dl)	427	15%	362,871
• Low HDL (<40 mg/dL)	383	13%	325,533
• Obesity (BMI 30+)	1183	42%	1,491,431
• High sick days (6+ days/year)	789	28%	675,933
• Chronic health problem (heart disease, stroke, diabetes, asthma, or arthritis)	307	11%	264,045
Total			\$8,720,985

References

1. Steven Aldana, Financial Impact – Literature Review, *American Journal of Health Promotion*, May/June, 2001; 15:5
2. Wayne Burton, et al. The Association of Health Risks with On-the-Job Productivity, *Journal of Occupational and Environmental Medicine* 2005; 47:769-777

Summary of Total Potential Health Savings in Your Organization per Year Savings by Meeting Percentage of Risk Reduction Goals

	100%	20%	30%	40%	50%
1. Health claims	5,256,518	1,051,304	1,576,956	2,102,607	2,628,259
2. Productivity	2,996,677	599,335	899,003	1,198,671	1,498,339
3. Absenteeism	467,802	93,560	140,341	187,121	233,901
Totals	\$8,720,998	\$1,744,200	\$2,616,300	\$3,488,399	\$4,360,499
Savings/employee	\$3,073	\$615	\$922	\$1,229	\$1,536

Additional Benefits

Other documented economic benefits from a worksite wellness program include:

- Lower employee turnover rates
- Lower accident rates and worker compensation claims
- Lower short-term and long-term disability
- Lower costs to replace employees who retire early due to poor health or burnout
- Improved employee moral and commitment to the organization