Making the Case:

New Study Shows It Does, Indeed, Pay to Become a Healthy Enterprise

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It may be "common knowledge" that healthy employees with healthy dependents working in an effective work environment make better workers and save their employers money in the long run. But until now, data to document the relative importance of various initiatives in achieving an impact on workforce performance has been lacking. This article presents findings from a recent study to fill that gap, examining the business case for being a healthy enterprise and exploring whether employers' healthy enterprise efforts make a difference to their return on investment. The authors outline a strategy employers can take to become a healthy enterprise through dedicated leadership, a more effective workplace, greater employee and dependent involvement, and measured outcomes.

As organizations struggle to control costs, those costs associated with being a healthy enterprise tend to be subject to particular scrutiny. Research indicates that an individual's environment[1,2] and the effectiveness of the workforce[3] have a significant impact on the health of employees[4] and that the communities in which people live affect the quality and longevity of their lives.[5] At the same time, the actions employers are forced to take in challenging times (i.e., downsizing, budget cuts) have a direct impact on the health of employees and the health of the overall culture.[6,7] In this environment, Sibson Consulting conducted a *Healthy Enterprise Study* to both examine the business case for being a healthy enterprise and explore whether the nature and scope of employers' healthy enterprise efforts make a difference to their return on investment.

Beginning in the latter part of 2009 through early 2010, Sibson sent invitations to participate in the *Healthy Enterprise Study*. In addition, several professional business organizations, including the International Foundation of Employee Benefit Plans and the International Society of Certified Employee Benefit Specialists, asked their corporate members to participate. Nearly 300 employers participated in the study. As a group, they represent more than two million employees, a range of industries and headquarters in 44 states, the District of Columbia and Canada.[8] (See the sidebar, "Methodology and Participants.") This article summarizes the study findings, including the prevalence, duration and perceived effectiveness of programs associated with a healthy culture, and the relative importance of different initiatives on the key outcomes, such as health costs and turnover.

KEY FINDINGS AND IMPLICATIONS

The following are among the key findings of the *Healthy Enterprise Study*:

- **Strategic focus is important to program effectiveness.** Program leadership, a strategic health plan and shared vision and collaboration among vendors correlated most with overall reported wellness effectiveness.
- **Metrics matter.** The benefits of investing in a

METHODOLOGY AND PARTICIPANTS

Sibson conducted the latest *Healthy Enterprise Study* from late 2009 through early 2010. Nearly 300 employers* participated by completing a Web-based questionnaire that captured more than 100 data items. Respondents were guaranteed anonymity. This supplement summarizes the survey instrument, the methodology for developing a Healthy Enterprise Index, the analysis of relationships among various practices and outcomes, and the participants in the survey.

Survey Instrument

The survey instrument consisted of 51 questions. Several questions contained multiple items, so in total the survey captured approximately 100 data items. The major categories of the questionnaire were the following:

- **Organization overview.** This category consisted of 14 questions that captured organization name, number of benefit-eligible and enrolled employees, employee demographics, headquarters location, industry, profit status, percentage of unionized workforce, the level of collaboration in collective bargaining, source for learning about the survey and contact information.
- **Specific wellness practices.** This category consisted of 23 questions that captured 40 data items, including the duration and perceived effectiveness or extent the practices are in place, funding sources, budget information, program oversight, types and levels of incentives, participation in health assessments and biometric screenings and duration of the initiative, frequency of progress reviews and unique characteristics.
- **Healthy enterprise initiative effectiveness.** This category consisted of seven questions that captured 34 data items, including the perceived effectiveness of various strategies along the healthy enterprise continuum in each of the seven characteristics and along each of the stages on the continuum of maturity.
- **Outcomes.** This category consisted of seven questions that captured eight data items, including the medical, prescription drugs, wellness, disease management costs per employee, the percentage increase in health care cost expenses, voluntary turnover rate, unscheduled absence, rate of extended absence, workers' compensation and any documented outcomes.

Healthy Enterprise Index Methodology

To develop a Healthy Enterprise Index, Sibson converted all responses to a scale from zero to one, categorized the 100 data items in the *Healthy Enterprise Study* into the following 12 index elements and averaged the values: health plans, wellness practices, institution support, time off, behavioral health, on-site health, employee involvement, communication, shaping behavior, management, metrics and initiative duration.

The index elements were then aggregated into the Healthy Enterprise Index by averaging all 12 elements. The index ranges from zero to 100%. The outcome metrics were not included in the calculation of the index.

Relationships to Outcomes

Sibson evaluated the relationship of the various elements and overall index relative to the adjusted outcomes for industry, age, family size and levels of participation. Sibson measured the index to adjusted outcomes, which included the adjustments shown in Table I:

TABLE I

RELATIONSHIPS TO OUTCOMES

	Health Costs	Health Increases	Turnover	Absence	Workers' Compensation
Industry Adjustment	√	√	√	√	√
Age Adjustment	√	√		√	
Family Size	√	√			
Health Plan Participation	√	√			

Participants

As shown by Figure 1, the largest percentage of employers in the study (31%) have between 1,000 and 4,999 full-time employees. Just over half of the employers in the study are headquartered in the Midwest, as shown by Figure 2. Figure 3 shows average age range, which has a significant influence on the health issues faced by the workforce. According to typical standard actuarial tables, health care costs increase approximately 2% to 4% for each additional year of age.

FIGURE 1
SIZE OF WORKFORCE BY NUMBER OF FULL-TIME EMPLOYEES

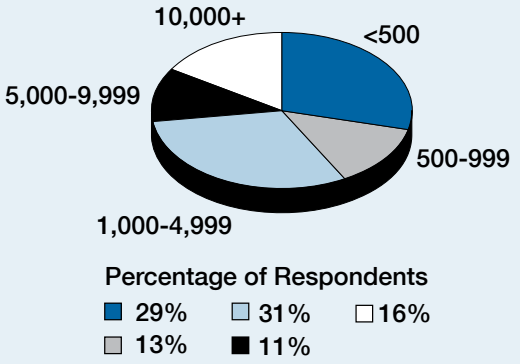
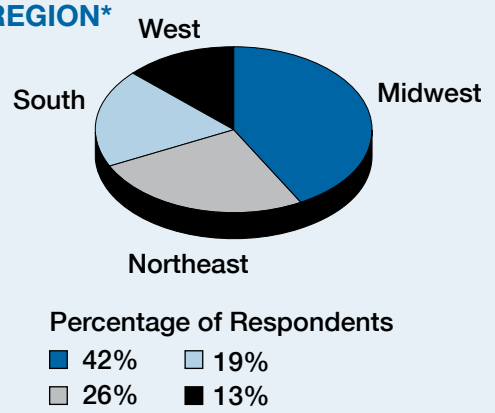
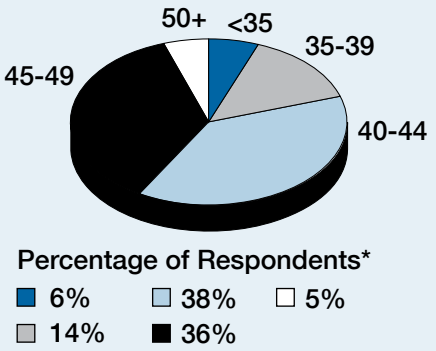


FIGURE 2
REGION*



*Organizations are grouped into four regions that follow the U.S. Census Bureau's divisions: http://www.census.gov/geo/www/us regdiv.pdf.

FIGURE 3
AVERAGE EMPLOYEE AGE RANGE



*Total does not equal 100% due to rounding.

The two largest industry groups represented in the study are colleges/universities (25%) and hospitals/health systems (18%). Table II shows the industry breakdown of the employers in the study.

In analyzing the study results, Sibson did not adjust for differences in employer size or region of headquarters.

*The following organizations kindly gave Sibson permission to note that they participated in the *Healthy Enterprise Study:* Abbott; ABM Industries, Inc.; Advocate Health Care; Akron Children's Hospital; AlphaStaff Inc.; Alverno College; American Chartered Bank; American Institute for Preventive Medicine; American Tower Corporation; Amtrak; Aon Corporation; Apollo Gold; Aptuit (Kansas City), LLC; Archstone Communities, LLC; AREVA NP; Ascension Health; Avid Technology, Inc.; Avon Lake City Schools; Avon Old Farms School; Babcock Power, Inc.; Baxter International; Beacon Orthopaedics; Belmont University; Ben Venue Laboratories, Inc.; Bendix Commercial Vehicle Systems, LLC; Berkshire Medical Center; BlueCross BlueShield of Massachusetts; BlueCross BlueShield of Michigan; Brambles/CHEP; Brattleboro Memorial Hospital; Bryant University; Bull HN Information Systems, Inc.; Burke, Inc.; CA, Inc.; CACI; California State University Fresno; Calista Corporation; CareFirst BlueCross BlueShield; Carnegie Mellon University; Centenary College of Louisiana; CentraState Healthcare System; CF Industries, Inc.; CFA Institute; Chilton Memorial Hospital; Chr. Hansen, Inc.; CIT Group, Inc.; City of Arlington (Texas); City of Cleveland; City of Parma; Cleveland Clinic; The Cleveland Foundation; Cleveland Indians Baseball Company; Collective Brands, Inc.; College of Wooster; Cytec Industries, Inc.; Dakota County; Dalhousie University; Dana-Farber Cancer Institute; Dearborn County Hospital; Delta College; Denver Health Hospital and Authority; Des Moines University; Diocese of Phoenix; Donley's, Inc.; DynaVox Systems, LLC; East Carolina University; Educational Commission for Foreign Medical Graduates; Ed-

TABLE II
INDUSTRY GROUPS IN STUDY

Industry	Percentage of Respondents
College/University	25%
Hospitals/Health Systems	18
Manufacturing	9
Consumer Products	6
Financial Services	6
Information Technology and Telecommunications	6
Professional Services	6
Health Plan/Insurance	5
Wholesale and Retail	4
Government	3
Not-for-Profit	3
Pharmaceutical and Biotech	2
Utilities/Energy	2
Other*	5

*Other includes agriculture, construction, communications and publishing, entertainment, hospitality, and transportation and logistics.

ward, Elk & Elk Co., Ltd.; Engineering PLUS, LLC; Exeter Health Resources, Inc.; Famous Enterprises; Farm Credit Foundations; FF Thompson; Fletcher Allen Health Care; Frances Mahon Deaconess Hospital; Gardner Denver, Inc.; Generac Power Systems; General Growth Properties; Genesis Health System; The George Washington University; Gold Eagle Co.; The Golden 1 Credit Union; Grand River Hospital District; Gustavus Adolphus College; Hess; Hilltop National Bank; HomeAway.com, Inc.; Hormel Foods Corporation; Hurley Medical Center; Hyatt Hotels Corp.; Illinois State University; Illinois Wesleyan University; The IMT Group; Infinity Property & Casualty Corporation; Independence Excavating, Inc.; Intrepid Potash; Iowa State University; Irwin Financial Corporation; Ithaca College; Itron, Inc.; The James B. Oswald Company; Joe's Crab Shack; John Carroll University; John D. and Catherine T. MacArthur Foundation; JPMorgan Chase; Kforce, Inc.; Kindred Healthcare; Kohrman Jackson & Krantz P.L.L.; Komatsu America Corp.; Kronos, Inc.; Kurtz Bros., Inc.; Lake County Commissioners; Lake Health; Lawson Products; Lee University; Life Line Screening; Limited Stores, LLC; Link Snacks, Inc.; Livingston HealthCare; Longmont United Hospital; LSI Industries, Inc.; MAG Industrial Automation Systems; Main Street Gourmet; Maine Medical Center; MARC USA; Marywood University; McHenry County College; Medline Industries, Inc; Memorial Hermann Healthcare System; MemorialCare; MiddleOak; Middlesex Hospital; Miniature Precision Components, Inc.; Ministry Health Care; MRA—The Management Association, Inc.; National Association of College Stores; National Futures Association; Nestle; Nichols College; Nintendo of America, Inc.; North Dakota State University; Northeast Ohio Regional Sewer District; Northwestern Medical Center; Northwestern University; NSF International; Oak Ridge National Laboratory; The Ohio University; Oklahoma City University; Olympus Corporation of the Americas; Oracle Corporation; Otterbein College; Pactiv Corporation; Partnership for Prevention; Penn National Insurance; Penn State; Phillips-Van Heusen Corp.; Precept; Purdue University; Quaker Chemical Corporation; Rensselaer Polytechnic Institute; Rhode Island School of Design; Rice University; Riverview Hospital Association; Rochester General Hospital; Rochester Institute of Technology; Rollins College; Rose and Kiernan, Inc.; Roush Fenway Racing; Ryder System, Inc.; Safeguard Properties; Saint Barnabas Health Care System; St. Catherine University; St. Elizabeth Healthcare; Saint Francis Hospital and Medical Center; St. Jude Children's Research Hospital; St. Lawrence University; San Francisco Art Institute; Schneider National, Inc.; Schreiber Foods; Severn Trent Services, Inc.; The Sherwin-Williams Company; Solaris Health System; Solix, Inc.; Southern California Edison; Southern Ohio Medical Center; Suburban Hospital; The Sun Products Corporation; TCP; Texas Chiropractic College; Texas Christian University; Toys "R" Us, Inc.; Transylvania University; Trocaire College; Tyco International; Underwriters Laboratories; Inc.; UNIFI Companies; University at Buffalo; University Health System, Inc.; University of Alaska; University of Colorado Hospital; University of Denver; University of Iowa; The University of Kansas Hospital; University of Kentucky; University of Medicine and Dentistry of New Jersey; University of Michigan; University of Minnesota; University of Nebraska Medical Center; University of New Mexico; University of Oklahoma; University of Oregon; University of Pittsburgh; University of Richmond; University of South Dakota; University of Virginia; UNM Hospitals; Utah State University; VA Healthcare—VISN 4; Valmont Industries, Inc.; Vermont Law School; Wabash National; Wake Forest University; Weeks Medical Center; Western Technical College; Westfield Group; Willamette University; Wiss, Janney, Elstner Associates, Inc.; Wm. Wrigley Jr. Company; The Woodbridge Group; World Relief Corporation; Worthington Industries; Xavier University; Yeshiva University; York College CUNY; York College of PA; Zel Technologies, LLC.; and Zeon Chemicals L.P.

healthy culture can be measured in terms of lower health care costs, turnover, absence and workers' compensation.

- **Most employers focus narrowly on health issues after they occur, a focus that tends to be correlated with only one outcome.** In contrast, strategies that focus on optimal behavior are most strongly correlated with more outcomes, the rate of health care cost increases and turnover.

Based on the study data on program offerings and reported effectiveness, Sibson created a Healthy Enterprise Index to compare organizations to one another. (See "The Healthy Enterprise Index" section.) Sibson found that a higher index was associated with lower health care costs, health care cost increases, turnover, extended absences and workers' compensation costs.

The results of Sibson's *Healthy Enterprise Study* suggest that employers that want to become a healthy enterprise should consider developing a healthy enterprise strategy with dedicated leadership, a more effective workplace, greater employee and dependent involvement and measured outcomes.

PREVALENCE, DURATION AND EFFECTIVENESS OF WELLNESS PRACTICES

Figure 1 summarizes what the study found about wellness practices. The practices are listed in order of their correlation with a combined metric of overall effectiveness. The practices naturally fell into three different types: strategic drivers, behavior change support and environmental support. Interestingly, the top three most-correlated wellness practices are all strategic drivers given their focus on leadership, strategy and shared vision.

As the pie charts in Figure 1 show, almost all wellness practices are fairly prevalent. The exception is worksite healthy eating policies, which just over one-third of respondents have in place.

The first set of bars in Figure 1 shows for how long the respondents have had each practice in place. Most of the respondents' practices have been in place for at least three years. Research indicates that it generally takes three to five years for the full impact of wellness programs to be realized.[9] Similarly, Sibson's study found that the breadth and reported effectiveness of initiatives increased over time with somewhat of a plateau at five years.

The second set of bars in Figure 1 shows the study data on perceived effectiveness of programs and initiatives. While most respondents reported each practice is effective, from 5% to 15% of respondents reported that each practice is ineffective.

This analysis yields a few interesting observations:

- As a group, the strategic drivers are the most critical to an effective program, but they are least prevalent.
- Program leadership and oversight was most correlated with overall wellness program effectiveness.
- Disease management was perceived as the least effective and is least important to overall effectiveness, even though it is the most prevalent.
- A smoke-free worksite policy was perceived by respondents to be the most effective practice by a good margin, yet the study found it is not highly correlated with overall wellness effectiveness. This suggests that a smoke-free worksite provides good support, but other elements are more important to an effective initiative.

INCENTIVES AND PARTICIPATION

Participation in health risk assessments and biometric screenings is important because those tools provide the employer and employees with a snapshot of employee health status and serve as a measure of the extent to which employees embrace the overall initiative. Employers use incentives to drive participation in assessments and screenings. At first glance, the analysis summarized in Figure 2 appears to support the fact that incentives increase participation in health risk assessments (HRAs). More than half (63%) of employers that do not offer incentives have a participation rate in HRAs of 25% or less. Conversely, more than half (61%) of employers that offer incentives of $250 or more, have participation rates in HRAs of 50% or more.

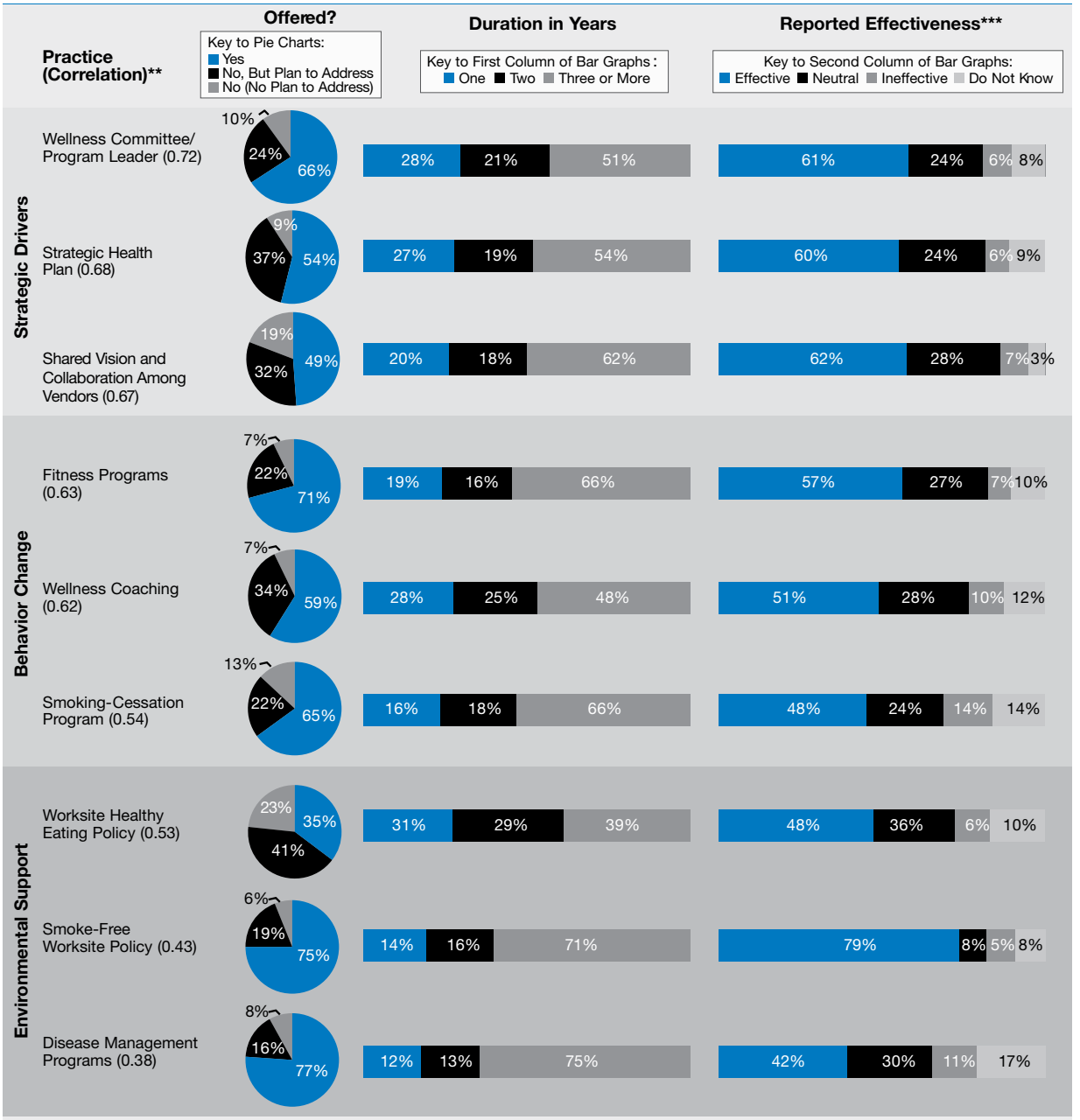
Upon further review, the study results suggest that other factors are also important to increase participation. For example, 13% of employers that do not offer incentives had participation in HRAs of 75% or more. Conversely, high incentives do not guarantee high participation. Among employers that offer incentives of $250 or more, 13% have participation in HRAs of 25% or less. The study revealed more than a dozen items that were well-correlated with increased participation. As such, employers need to employ a broader strategy if they want employees to embrace their initiatives.

BUDGETS AND FUNDING

Organizations make substantial investments in their people, yet most organizations allocate only less than one-half of 1% of this investment to sustaining the health and well-being of their people (excluding the cost of medical coverage). On average, the organizations spend nearly $80,000 annually on their employees' wages, health care and time off combined, but only 0.16% of that amount is spent on wellness

FIGURE 1

PREVALENCE, DURATION AND EFFECTIVENESS OF WELLNESS PRACTICES*



* Some totals do not equal 100% due to rounding.

** The programs are listed in order of correlation with overall wellness practice effectiveness (average reported effectiveness across all the listed wellness practices).

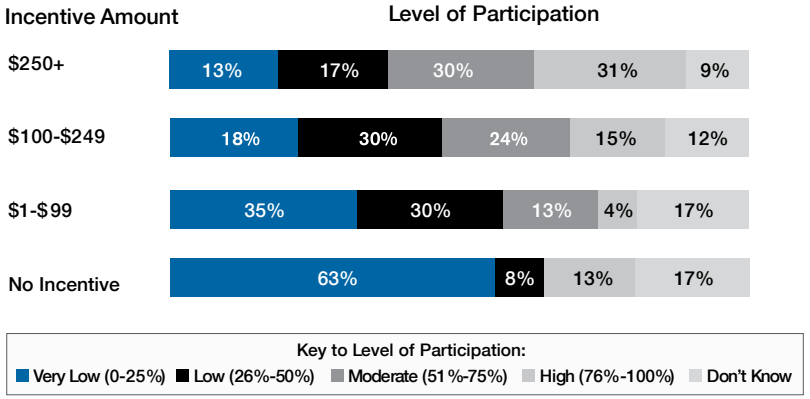
*** Respondents were asked to rate the effectiveness of the wellness programs and initiatives at their organization on a five-point scale, with one being very ineffective, two being ineffective, three being neutral, four being effective and five being very effective. The segments in these bars indicate what percentage of respondents practice was "effective" (a score of 4 to 5), "neutral" (a score of 3) and "ineffective" (a score of 2 or less), as well as those that did not know a practice's effectiveness.

($126 average for those reporting a wellness budget). Many employers may also include preventive services as part of their health plan (now required for nongrandfathered health plans under the Patient Protection and Affordable Care Act), which generally amounts to no more than 3% of the aggregate cost of the health plans.

More than half of the organizations in the study (58%) fund their initiatives from the benefits budget, and almost one-third (31%) fund them from the general

FIGURE 2

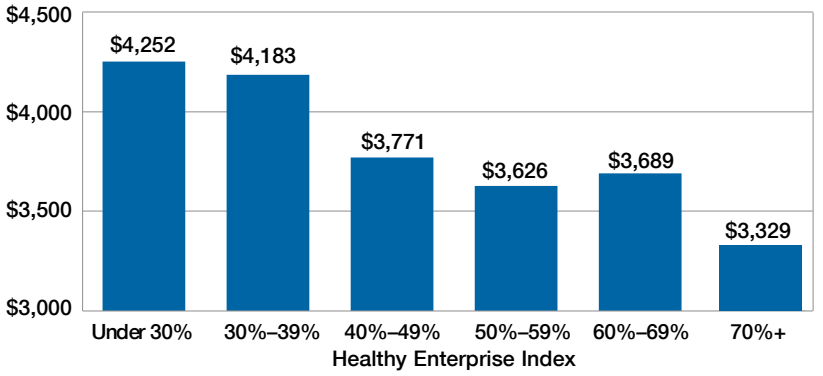
PERCENTAGE OF EMPLOYEES COMPLETING A HEALTH RISK ASSESSMENT BY INCENTIVES TO PARTICIPATE*



*For all respondents providing incentives (77%) the median total value of incentives an employee and dependent can earn each year is $245 and $200, respectively. Some bar totals do not equal 100% due to rounding.

FIGURE 3

AVERAGE ADJUSTED* HEALTH CARE COST PER PARTICIPANT ACCORDING TO HEALTHY ENTERPRISE INDEX



N = 205, correlation = -.17, statistical significance = .01

* Sibson adjusted the per-participant cost (inclusive of wellness investments) by industry and demographic (i.e., age and average family size).

human resources (HR) budget. A notable percentage (29%) rely on employee contributions. (Respondents could select multiple funding sources.) Two of the top three funding sources for wellness/health and productivity initiatives came from trade-offs with other benefits or employee contributions. This suggests that money does not need to be found, but rather redeployed.

OUTCOMES

The study found significant variance in each of the outcome metrics reported. Table I summarizes the degree of variance in health care costs, health cost increases, voluntary turnover, extended absences and workers' compensation costs. The 90th percentile was always more than double the tenth percentile. This relationship was also consistent even after adjusting for industry and demographics. Sibson's study seeks to understand some of the organizational drivers that may have an impact on this variation.

THE HEALTHY ENTERPRISE INDEX

Sibson's Healthy Enterprise Index ranges from zero to 100%. The average organization's Healthy Enterprise Index was 57%. Although not every organiza-

TABLE I

DIFFERENCES IN OUTCOME METRICS BY PERCENTILES OF RESPONDENTS*

Metric	Percentiles					Difference Between 90th and 10th Percentiles
	10th	25th	50th	75th	90th	
Health Cost per Employee	$5,000	$6,826	$8,403	$10,393	$12,712	$7,712
Health Cost Increase per Employee	$0	$286	$612	$975	$1,469	$1,469
Turnover	3.0%	5.5%	10.0%	15.0%	20.0%	17 Percentage Points
Extended Absence	1.0%	1.4%	3.0%	8.0%	15.0%	14 Percentage Points
Workers' Compensation as a Percent of Payroll	0.11%	0.29%	0.60%	1.00%	1.98%	1.87 Percentage Points

*For each metric, the percentiles of respondents reflect the lowest to highest dollar amounts or percentages.

Source: Sibson Consulting's *Healthy Enterprise Study.*

TABLE II

COMPARISON OF AVERAGE ADJUSTED* OUTCOME METRICS FOR THE TOP QUARTILE COMPARED TO ALL OTHERS

	Top Quartile	All Others	Percentage Difference
Healthy Enterprise Index	78%	50%	56%
Annual Health Cost per Participant	$3,431	$3,769	–9%
Annual Health Cost Increase per Participant	$235	$302	–22%
Turnover	8.1%	12.1%	–33%
Extended Absence	3.9%	6.1%	–36%
Workers' Compensation Cost as a Percentage of Payroll	0.74%	0.89%	–17%

*Sibson adjusted each outcome metric for various factors, such as industry and demographic (i.e., age and average family size). For information about which adjustments were applied to each metric, refer to the online supplement to this article that discusses the study methodology, which is available at www.sibson.com/publications/surveysandstudies/HESsupp2.pdf.

Source: Sibson Consulting's *Healthy Enterprise Study.*

tion will aim for an index of 100%, employers may want to determine their index and, if it is low, develop strategies to improve it. Sibson found that a higher Healthy Enterprise Index was correlated with lower health care costs (as shown in Figure 3), health care cost increases and voluntary turnover. On average, a ten-percentage-point increase in the index equated to $160 reduction in health care cost per participant. Therefore, an organization that has an average of 1.5 dependents for each employee could experience a reduction in annual health costs of $400 per employee by increasing its index by ten percentage points.

Even though, due to the sample size, Sibson cannot state with statistical significance that there was a correlation with other metrics, the data did show that participants in the top quartile for the Healthy Enter-

TABLE III

CONTINUUM OF MATURITY MODEL CHARACTERISTICS TESTED IN THE *HEALTHY ENTERPRISE STUDY*

Characteristic	Continuum of Maturity: Focus on Treatment	Focus on Prevention/ Management	Focus on Optimal Behavior
Health	Provides high-quality and cost-effective treatment	Reduces health risks and manages conditions	Optimizes health and fitness
Time Off	Replaces pay, rehabilitates, returns to work	Advocates safety, accountability and risk management	Promotes lifelong health and personal and professional renewal
Behavioral Health	Treats personal and work-related mental health/substance abuse issues	Addresses factors leading to substance abuse and mental health issues	Stimulates psychological well-being (mental, emotional, social)
Communications	Clarifies benefit coverage	Shapes behavior	Promotes proactive approach to health and well-being
Organizational Behavior	Addresses unacceptable behavior	Shapes desired behavior	Leaders model behavior consistent with organization's values
Workplace Support	Treats minor injuries and/or handles medical emergencies	Detects and prevents problems to avoid more serious health issues	Empowers a culture of health
Measurement and Metrics	Measures and manages costs, utilization and treatment outcomes	Measures and targets interventions for prevention and disease management initiatives	Measures, assesses and targets interventions to improve physical, emotional and social capacity

Source: Sibson Consulting's *Healthy Enterprise Study.*

prise Index achieved better outcomes across the board. Table II shows the relevant data.

THE CONTINUUM OF MATURITY MODEL

The Continuum of Maturity Model is used to compare organizations to one another according to their level of maturity on a three-level continuum. Based on Sibson's research and experience in working with clients, there are three broad stages on a continuum of maturity for a healthy enterprise. Distinguishing characteristics are how proactive the organization is in focusing on treatment, prevention/management or optimal health/behavior:

- **Focus on treatment.** These organizations focus on addressing health care and workplace behavior issues after they occur. They often become aware of issues through large claims increases, workplace accidents or workplace disruption. They concentrate on reducing costs rather than improving outcomes.
- **Focus on prevention/management.** These organizations focus on identifying the risks and conditions that lead to more serious issues and promote better behaviors and health by identifying risks and conditions and then addressing them through supportive resources.
- **Focus on optimal health/behavior.** These organizations have a commitment to optimizing the be-

TABLE IV

REPORTED MATURITY AND IMPACT ON OUTCOME METRICS

	Percentage Reporting Effective	Impact* on Outcome Metrics
Treatment	39%	Moderate
Prevention/Management	27%	Moderate/High
Optimal Behavior/Health	17%	High

*Impact was measured based on the number of strategies in each stage that were correlated with better outcomes.

Source: Sibson Consulting's *Healthy Enterprise Study.*

havior, health, fitness and financial well-being of employees. It is imbued throughout the culture as a means to enable employees to fully engage in their work and their personal lives. Healthy behavior is encouraged, exhibited and rewarded.

Sibson used *Healthy Enterprise Study* data to test whether it matters where employers are in this maturity continuum. The Continuum of Maturity Model takes into account 16 characteristics. Table III shows the seven characteristics that were tested in the *Healthy Enterprise Study*.

Table IV summarizes the level of maturity participants in the *Healthy Enterprise Study* reported and the relative impact. Interestingly, only two in five respondents (39%) reported overall effectiveness of the treatment-focused strategies, which drops to only one in six (17%) for strategies aimed toward optimal health and behaviors. This is unfortunate because strategies focused on optimal health and behavior had the greatest impact on the outcome metrics. While almost every cell on the maturity model was correlated with multiple outcomes, only the health plans characteristic with a focus on treatment were correlated with only one outcome. Unfortunately, this is where most employers spend the bulk of their time in trying to reduce health care costs.

FINDINGS ON OUTCOMES

Respondents to the *Healthy Enterprise Study* were asked to provide their average health benefit expenses per employee, including medical, prescription drug coverage, wellness and disease management programs for both the employer and employee portions (excluding employee out-of-pocket costs).

Respondents were also asked to provide the average percentage increase in actual health care cost increases over the past two years. Sibson used this information to calculate an absolute dollar increase, which is an effective benchmark for assessing cost outcomes. Turnover is another valuable outcomes measurement. Because a healthy enterprise operates a more effective workplace and is supportive of the needs of its employees, it should exhibit a lower rate of voluntary turnover relative to other employers in its industry.

Tracking absence-related metrics appears not to be a priority for survey respondents. Less than half of the respondents were able to report unscheduled absence, extended absence and workers' compensation costs. These survey respondents may be missing an opportunity to demonstrate how their investments have an impact on workforce readiness. However, these are important statistics, as noted below:

- **Unscheduled absence.** There are significant costs associated with unscheduled absences beyond what can be quantified through the wages paid for a day not worked. Like turnover, absence can be an indicator of employee withdrawal. A healthy enterprise should exhibit lower levels of unscheduled absence. The median number of lost workdays for the respondents that do track absences was four days, while 10% reported ten days or more. For an employer with 10,000 employees, the extra six days lost per employee amounts to 230 full-time-equivalent employees ($6 \times 10{,}000/ [52 * 5]$).
- **Extended absence lasting longer than five days.** Extended absences can result in a significant disruption of operations for those who have to pick up the slack. One-quarter of the respondents that reported indicated that one in 12 employees (8%) had an absence lasting longer than five days.
- **Workers' compensation cost as a percentage of payroll.** Workers' compensation costs are a measure of workplace safety, and the health of the workforce can pose a significant risk in the workplace (e.g., a machine operator has a heart attack while on the job). The 90th percentile was 18 times higher than the tenth percentile. Even after

adjusting for industry differences, the cost at the 90th percentile was still 13 times higher than the cost at the tenth percentile.

In Sibson's experience, a healthy enterprise initiative should have a significant impact on the rates of absence and disability, which appears to be the case for the top quartile of the study.

COMMENTARY AND CONCLUSION

The results of Sibson's *Healthy Enterprise Study* suggest that employers that want to become a healthy enterprise should:

- **Establish a dedicated initiative leader and a wellness committee.** This can ensure good program leadership and oversight.
- **Develop a healthy enterprise strategy that is aligned with the organization's business strategy.** An aligned strategy helps crystallize the vision of the desired state, makes the initiative more real to employees and helps leadership understand how the initiative supports the business strategy.
- **Inventory and assess the "current state."** This may include the services and offerings currently available, but also the outcomes achieved, perceptions and effectiveness of these programs.[10]
- **Involve key stakeholders.** They include leadership, employees and other potential internal business partners.
- **Reevaluate the many investments the organization makes to become a healthy enterprise.** It may be possible to invest differently without spending more. For example, many organizations provide financial counseling, which can have a beneficial effect on employees' health to the extent that it relieves stress and anxiety. These efforts often are introduced in a fragmented way: through retirement programs, employee assistance programs and voluntary benefit programs. These resources can be redeployed as part of a financial literacy/wellness program that provides more comprehensive and immediately useful financial counseling.
- **Take steps to get employees to embrace the initiative.** Employees need to embrace the initiative enthusiastically, which requires leadership support, a broad set of effective resources and communications focused on changing behaviors.[11]
- **Create an effective workplace.** Employees cannot contribute to organizational excellence if the appropriate tools and resources are not available. Employees will not extend discretionary effort at their job if they are working in a toxic work environment, where there are various forms of aggression (e.g., harassment and bullying) in the workplace or a lack of trust and respect.
- **Pay attention to dependents.** Dependents can represent half or more of an organization's medical costs. Moreover, dependents can significantly influence the behaviors of employees. As a result, it is important to think about the strategies employed to engage dependents and to address their unique needs.
- **Measure outcomes.** It is important that there is focus in what is measured. Identify the metrics that will determine if the employer is achieving the stated strategy. Measuring success, shortcomings and failures is as important as measuring costs. Employers should share these key metrics across various constituents within the organization, both to foster support and to show progress.

In addition to the cost savings associated with being a healthy enterprise, there may be productivity gains to the extent that healthy employees are more satisfied with their jobs and more engaged in their work than unhealthy employees. Under Sibson's definition of *engagement*, an engaged employee has both *vision*, defined as knowing what work to do, and *commitment*, defined as wanting to do it. Employees may face barriers to engagement such as health issues (i.e., employees who are dealing with health issues such as cancer or diabetes may not be able to work efficiently even if they have vision and commitment), personal issues (e.g., financial, legal, family) and organizational (i.e., "toxic" work environment, absence of the tools, resources or support necessary to be productive). According to Sibson's research, increased employee engagement typically leads to improved productivity, motivation and retention.

The return on investments made to become a healthy enterprise is potentially considerable. For example, a recent *meta study* (a study of studies) conducted by Harvard University concluded that the return can be 3.27:1 on medical costs and 2.73:1 on absence and related costs. The programs that were the subjects of the reviewed studies were generally carefully crafted with the intent of measuring an outcome.[12] This suggests that employers need to carefully design their healthy enterprise initiatives to ensure they will produce a return on investment.

The authors believe that all organizations are making investments to some extent in organizational health. For many, these investments are imbedded in health care costs, workers' compensation costs, recruitment expense and training costs. Some organizations can be characterized as unhealthy or suboptimal in their performance; others can be characterized as healthy enterprises. HR professionals have a tre-

mendous opportunity to help their organizations advance along the continuum of maturity. ◀

Endnotes

1. J. Michael McGinnis, P. Williams-Russo and James R. Knickman, "The Case for More Active Policy Attention to Health Promotion." *Health Affairs* 21 (2): 78. http://content.healthaffairs.org/cgi/reprint/21/2/78. This study found that individuals' health is determined 40% by behavior, 30% by genetics, 15% by social circumstances, 10% by medical care and 5% by environment. This data suggests that through a comprehensive healthy enterprise strategy, employers can have an impact on 70% of the determinants of the health of the workforce (i.e., the total of all factors except genetics).

2. Malcolm Gladwell. *Outliers: The Story of Success*. New York: Little, Brown and Company, 2010: www.gladwell.com/outliers/index.html. In the introduction, Gladwell cites research around how communities affect health and outcomes and the book addresses how some of the same community factors lead to success.

3. Kerstin Aumann and Ellen Galinsky. *The State of Health in the American Workforce: Does Having an Effective Workplace Matter?* Families and Work Institute (2009): www.familiesandwork.org/site/support/090928-healthpresentation.pdf. This study found that health outcomes were twice as good for employees working in highly effective organizations relative to those working in low overall effective organizations.

4. T. W. Taris, J. E. Van Horne, W. B. Schaufeli and P. J. G. Schreurs. "Inequity, Burnout and Psychological Withdrawal Among Teachers: A Dynamic Exchange Model." *Anxiety, Stress and Coping*. March 2004 (Vol. 17, No. 1): 103-122: www.fss.uu.nl/sop/Schaufeli/208.pdf. This study found that perceived inequity among workload, effort and commitment and what an employee receives from interpersonal relationships at work and pay/benefits leads to emotional exhaustion, burnout and turnover.

5. Dan Buettner. "The Blue Zones: Lessons for Living Longer From the People Who've Lived the Longest," *National Geographic*, 2010.

6. M. Kivimäki, J. Vahtera, M. Elovainio, J. Pentti and J. Virtanen. "Human Costs of Organizational Downsizing: Comparing Health Trends Between Leavers and Stayers," *American Journal of Community Psychology,* Volume 32, Numbers 1-2 / September, 2003; pp. 57-67: www.springerlink.com/content/l288117u3pm822u4/fulltext.pdf. This study looked at the impact on health among three different groups that went through a significant downsizing. After the downsizing, deterioration of health was most likely in the "stayers" working in groups of major staff reductions and next among the nonemployed "leavers." In the reemployed leavers, the risk of increased health problems was lower than in others including employees working in no or minor downsizing groups.

7. R. Kalimo, T. W. Taris and W. B. Schaufeli. "The effects of past and anticipated future downsizing on survivor well-being: an equity perspective." *Journal of Occupational Health Psychology,* April 8, 2003 (2): 91-109: http://psycnet.apa.org/index.cfm?fa=buy.optionToBuy&id=2003-03018-003. This study examined worker well-being as a function of past downsizing and expectations concerning future downsizing. Having experienced downsizing in the past or anticipating downsizing in the future was associated with elevated levels of perceived inequity between what workers invest in their jobs and what they receive in return, which in turn were associated with elevated levels of psychological strain, cynicism and absence. Moreover, well-being varied as a function of type of downsizing.

8. All cost comparisons made in this article are adjusted for industry, age and sex demographics, but not geographic factors.

9. Larry S. Chapman. "Meta Evaluation of Worksite Health Promotion Economic Return Studies," *The Art of Health Promotion*. 2005. Larry S. Chapman, M.P.H., an expert on wellness programs, conducts periodic *metastudies* (studies of studies) that show it generally takes three to five years for the full impact of wellness programs to be realized.

10. For more information about this process, refer to "Is Your Wellness Program a Scattershot Effort . . . or on Target to Serve Employees and the Organization?" which was published in the June 2008 issue of Sibson's e-magazine *Perspectives:* www.sibson.com/publications-and-resources/perspectives/volume_16_issue_3/wellness.html.

11. For more information, refer to "Reaching Employees in the Right Place at the Right Time: Four Steps to Successfully Communicating Your Organization's Wellness Program," which was published in the October 2008 issue of Sibson Consulting's *Perspectives*: www.sibson.com/publications/perspectives/Volume_16_Issue_4/wellness.html.

12. Katherine Baicker, David Cutler and Zirui Song, "Workplace Wellness Programs Can Generate Savings," *Health Affairs,* 29, No. 2 (2010).

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International Society of Certified Employee Benefit Specialists

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