Bringing Workforce Health to the Top Line—Expanding the Value Proposition for Workforce Health Improvement

The pressure on employers to justify providing health benefits or to prove the value of health investment has never been greater. Many employers have resorted to cost shifting to employees to dampen the impact of health care costs on their companies or have avoided health investments, believing they don't deliver a return. Both strategies come with significant risk to employees, their dependents and the company's business performance. This article provides a framework for employers to better understand the full impact of workforce health and well-being on bottom-line costs and the opportunities for connecting workforce health and well-being to top-line business performance metrics. Application of the principles presented in this commentary can help human resources/benefits personnel better understand the broader business impacts of their workforce health and well-being strategies as well as equip them to have a more meaningful role in workforce strategic planning.

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That workforce health and the provision of health benefits are more than simply costs may be one of the compelling reasons employers have not taken advantage of shifting employees to the public exchanges now available through the Affordable Care Act. Under the law, employers can exit the system, pay the requisite fines (which would undoubtedly be less than health care premiums for their employees) and be done with health care once and for all. But beyond maintaining health care benefits to attract and retain employees and manage health outcomes, employers face a more fundamental question as they consider their health care strategy: To what degree does the health of the workforce contribute to top-line business success?

Evolution of Employer Health Coverage

Employer health care strategy has followed an evolutionary path over the past two decades. When health care costs were relatively small compared with corporate operations costs, firms simply absorbed any annual increases. When employers found their benefits budgets could no longer absorb the cost increases, they responded by changing plan designs—moving from indemnity plans to preferred provider organization (PPO) offerings and, ultimately, to health maintenance organization (HMO) approaches.

Such plan design changes—while promising improved health management—typically shifted cost and risk to employees through higher premium contributions, copays and deductibles. These strategies made sense to employers as long as they didn't harm the ability to attract and retain the key talent their companies needed to succeed.

A growing number of employers, however, realized that they couldn't effectively plan-design their way around a system in which costs continued to grow. They also recognized that, because health care costs follow illness and disease, interventions to improve the health and lifestyle of employees and their dependents could be instrumental in achieving meaningful cost savings. Thus began a growing movement to better measure and manage health risks and to implement programs to improve workforce health through wellness and disease-management initiatives.

However, in the face of growing controversy about wellness and disease management return on investment (ROI), employers found it increasingly difficult to rationalize spending health care dollars to save health care dollars, particularly with a near-term planning horizon. This seemingly intuitive approach to justifying investments in workforce health was under attack.

More recently, as employers recognized that health outcomes extend beyond health care costs and are relevant to business performance, a way out of this dilemma became apparent. Recognition that health outcomes affect business performance through business costs—short-term absences from work due to illness, longer term disabilities and health-related reduced work performance—became a way to expand the potential value of improved health and the interventions required to deliver it.

This broader framework provided two important advantages: It expanded the employer's view of what was relevant in benefits strategy, and it provided a set of leading health care delivery and outcomes indicators for a more holistic approach to program measurement and evaluation.[1] Even with this broader approach, however, the model still maintained a view that health care, absence from work and lost productivity are costs—a broader total cost than initially understood, but a cost nonetheless, and still managed within the human resource silo. The authors explore this broader view in the remainder of this article.

Health as Business Value

In an attempt to explore the revenue—or *top-line*—impact of workforce health, several recent studies[2] have examined the link between workforce health and corporate stock price. These studies point out that their analyses draw only correlational findings rather than asserting causation. However, this approach may be misguided and may derail a more thoughtful investigation of the relationship between health and top-line business performance. After all, it is hard to argue that the financial crisis of 2008, or the more recent deterioration in stock market valuations in January 2016, was related to a precipitous decline in worker health.

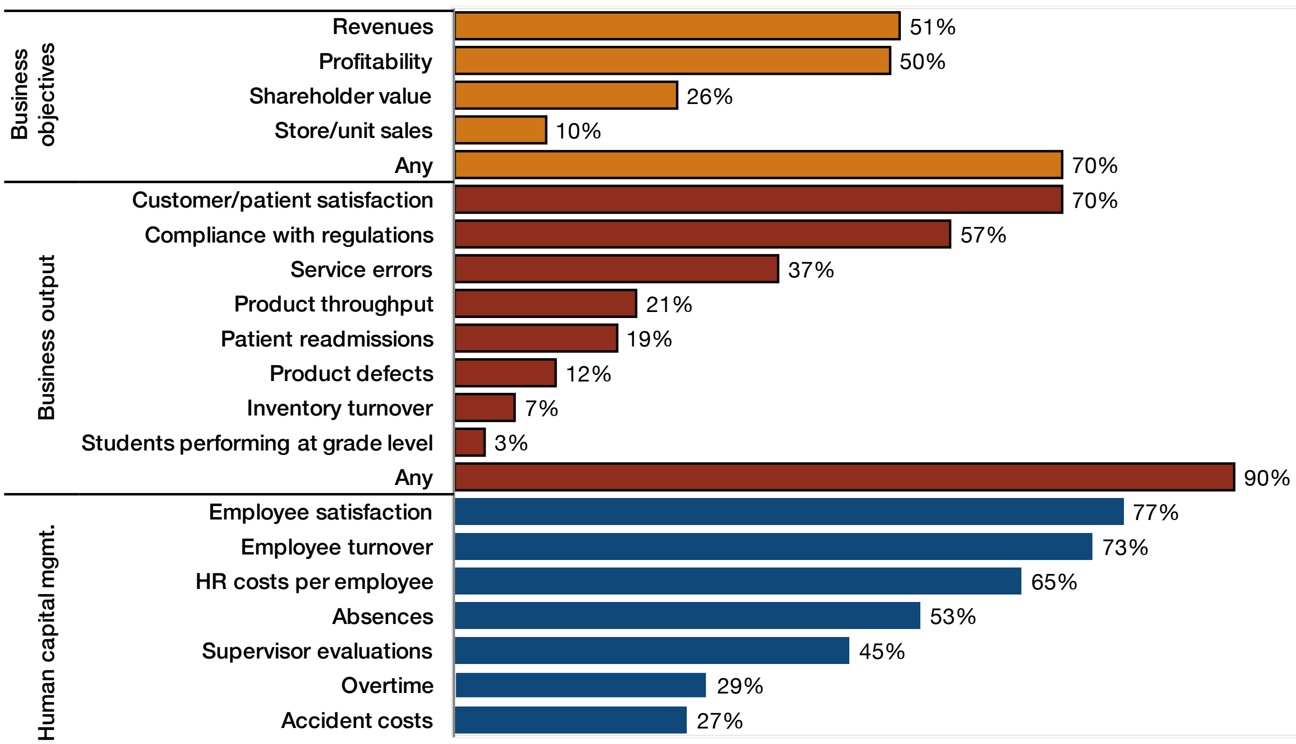
The more likely reason for the correlations found in these studies is that successful companies continuously find ways to expand and leverage their success—and are willing to invest company resources to do it. To be sure, the health of employees can contribute to that goal. However, employers that have healthy workforces but also are burdened with inferior products, poor service quality or mediocre marketing will likely have poor stock performance as well, regardless of their employees' health.

It would be more productive to uncover the "proximal metrics" that would tie workforce health and well-being more directly to employee performance and business-value generation. The first step in this investigation is to better understand employee performance measures that may be more immediately influenced by employee health and well-being from the employer's perspective.

As an initial step, the Integrated Benefits Institute and

FIGURE 1

Access to Employee Performance Measures



Source: B. Gifford, Ph.D., and B. Zong, *Putting the Pieces Together—Linking Health and Business Performance Measures.* Integrated Benefits Institute. April 2016.

Florida Healthcare Coalition gathered information on how much access employer representatives who manage health have to employee performance measures in their companies.[3] This article addresses what employees do *(human capital performance),* what this produces *(business outputs)* and how this achieves a company's financial or top-line goals.

These employer representatives were asked which business performance measures were important to their companies. Employee performance measures were organized by categories:

- **Financial:** revenue, profitability, shareholder value, human resources cost per employee and store/unit sales
- **Product/service quality:** customer/patient satisfaction, the amount of product that moves through the system, product defects, service errors, patient readmissions for hospitals, students' school performance, regulatory compliance and inventory turnover
- **HR management:** employee satisfaction, employee turnover, absences, accident costs, overtime and supervisors' performance evaluation
- **"Other":** as identified by the respondent.

Figure 1 shows the degree of access employers in a variety of industries have to these measures.

These results show that a wide variety of metrics are available to employers and can help differentiate between bottom-line costs and top-line business performance. A useful method is to recognize bottom-line costs as a function of both health care expenditures and absence payments to employees (both of which are real outcomes of health).

Employee absence related to health—such as sick leave, short- and long-term disability, Family and Medical Leave Act leave and workers' compensation disability—contributes to bottom-line costs, because employers typically make wage-replacement payments to employees when they are off work because of illness or disability. If employers need to replace labor, for example with larger staffs, contract labor, overtime or temporary help, because of employee absence, these excess labor expenses can be seen as a bottom-line cost related to health. These relationships are shown in Figure 2.

But to also understand how health and well-being may affect a company's *top line* (that is, revenue-generating opportunities), the framework must expand to depict how employee health and well-being may influence employee and customer satisfaction as well as the core business processes that drive organizational performance. The links from workforce health and well-being to corporate financial performance are depicted in Figure 3. (The focus here is only on the impacts of health and well-being and leaves out other forces that influence the factors shown.)

Employee health and well-being affect the top line in several ways. First, being sick at work hinders an employee's performance (termed *presenteeism* in research literature). Employee performance then influences both employee job satisfaction and the core business processes in which the employee is engaged. These core business processes are intermediate to customer satisfaction and buying behavior. Customer buying behavior, of course, affects a corporation's finances.

Those who manage health and well-being often face challenges in accessing data, either because important dimensions aren't measured or because individuals don't know what data are available in other parts of the organization. Most companies measure employee satisfaction and customer satisfaction as part of their ongoing business efforts. Ultimately, customer buying behavior is influenced by the satisfaction customers have with their experience with the company and the core business processes of the organization.

One of the challenges for HR/benefits executives is to more fully understand and link their initiatives to the "business side" of their organizations. Yet, in thinking about shifting health to the top line, this understanding is critical. In her work, "Business Processes and Business Functions: A New Way of Looking at Employment," Sharon Brown lays out a set of five core business processes and their key components.[4]

FIGURE 2

The Bottom-Line Costs of Health and Well-Being

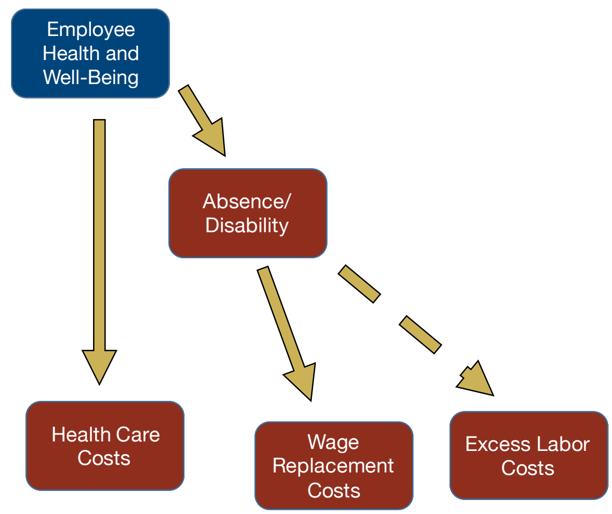
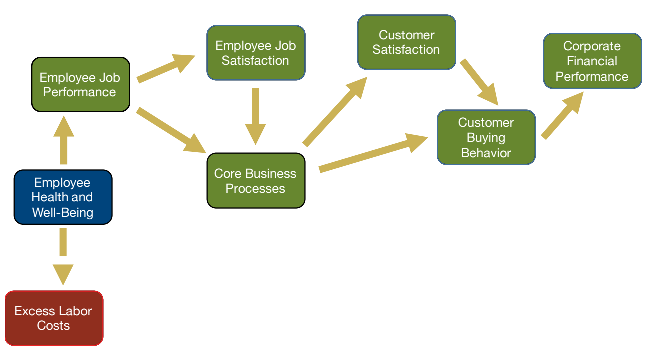


FIGURE 3

The Pathway From Health and Well-Being to Financial Performance



1. **Procurement, logistics and distribution:** obtaining and storing inputs and transporting finished products to customers
   —Buying
   —Shipping
   —Distributing
   —Receiving
   —Loading
   —Transporting
   —Packing
   —Warehousing
2. **Operations:** transforming inputs into final outputs
   —Assembling products
   —Managing production
   —Producing goods
   —Managing services
   —Providing services
   —Conducting quality control
   —Fabricating components
3. **Producers/service developments:** bringing new, improved or redesigned products to market
   —Developing business plans
   —Developing products/services
   —Analyzing markets
   —Researching products/services
   —Designing products/services
   —Testing
4. **Marketing, sales and customer accounts:** informing existing and potential buyers
   —Advertising
   —Conducting market research
   —Managing accounts
   —Coordinating media relations
   —Billing
   —Merchandising
   —Branding/managing products
   —Processing orders
   —Collecting payments
   —Selling
   —Marketing
   —Telemarketing
5. **Customer/after-sales service:** training, help desk call centers and customer support
   —Call center services
   —Maintaining/repairing products
   —Customer relations
   —Providing technical support
   —Customer service/support
   —Providing warranty support
   —Product installation

Not all of these processes are critical to every organization's business success. One way to begin to identify what may be important to a particular company is to determine how many people in the organization work in each major function. The organization will have a set of key metrics that indicate organization performance on the function. For example, average customer service scores in call centers, average sales per employee in the sales group, defect rate in manufacturing and error rate in shipping are measurements that impact customer buying behavior and satisfaction.

Discussion with operations and senior leaders can help identify the important metrics to focus on. The relationship between health-related employee performance and these metrics will get senior management's attention and provide evidence for the top-line discussion of health's impact. One of the major considerations in the measurement process will be whether such relationships are or can be measured at the individual level or only at the group/operational level.

In addition, as depicted in Figure 3, there may be a bottom-line consequence to reduced employee performance that is attributable to health and well-being impairments. If an employer adds labor to meet its revenue-generating opportunities because health limitations are preventing employees from performing well enough, excess labor costs may be associated with reduced employee performance.

Tying these operational metrics and customer satisfaction to customer buying behavior allows for the assessment of the impact of workforce health and well-being on financial performance. We exclude company financial metrics (such as earnings per share, stock price, etc.) from this model not because employee health does not have an impact but because other factors will be far more influential.

This framework allows the benefits manager to demonstrate several critical aspects of how improvements in employee health and well-being impact the business. First, employee health improvement affects both the costs of health care and wage replacement for absent employees. Second, improved workforce health can augment top-line results through enhanced employee job performance while favorably affecting company operations and customer buying behavior. Third, improved workforce health may mitigate the need for additional labor associated with health-related absences or reduced employee performance.

The framework requires health and well-being managers to expand their understanding of the broader business impact of health and well-being and to connect with other parts of the organization in new ways. Without this broader framework, the value of workforce health and well-being will be relegated to an ongoing organizational cost—always a concerning place to be in any organization.

Endnotes

1. T. Parry and B. Sherman, "A Pragmatic Approach for Employers to Improve Measurement in Workforce Health and Productivity," *Population Health Management,* Vol. 15, No. 2, 2012.

2. See R. Fabius, R. D. Thayer et al., "The Link Between Workforce Health and Safety and the Health of the Bottom Line: Tracking Market Performance of Companies That Nurture A 'Culture of Health,' " *Journal of Occupational and Environmental Medicine,* Vol. 55, 2013; R. Goetzel, R. Fabius et al., "The Stock Performance of C. Everett Koop Award Winners Compared With the Standard & Poor's 500 Index," *Journal of Occupational and Environmental Medicine,* Vol. 58, No. 1, January 2016; J. Grossmeier, R. Fabius et al., "Linking Workplace Health Promotion Best Practice and Organizational Financial Performance," *Journal of Occupational and Environmental Medicine,* Vol. 58, No. 1, January 2016; and R. Fabius, R. Loeppke et al., "Tracking the Market Performance of Companies That Integrate a Culture of Health and Safety," *Journal of Occupational and Environmental Medicine,* Vol. 58, No. 1, January 2016.

3. B. Gifford and B. Zong, "Employers' Health and Business Performance Measures," Integrated Benefits Institute, April 2016.

4. Sharon Brown, "Business Processes and Business Functions: A New Way of Looking at Employment," *Monthly Labor Review,* December 2008.

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