



HEALTHY INVESTING: PLAN NOW, GAIN TOMORROW

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From our Hunt Valley, Maryland headquarters, we partner with approximately 700 clients, including corporate, non-profit and social service agencies to design, implement, and manage successful employee benefit programs. We are often referred to as an extension of a group's human resources department. Our services include, but are not limited to:

- Strategic Planning - Market Analysis and Benchmarking
- Underwriting
- Account Management
- Enrollment and Billing (including online capabilities)
- Claims Resolution
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- Risk Management Services
- Human Resources Support
- Benefit Communications
- Creative Services
- Technology Resources
- Corporate Wellness Programs

Mission Statement:

Richard J. Princinsky & Associates, Inc. was founded with the mission of making the benefits program more effective for our clients and their employees. We build partnerships with organizations of all sizes to develop innovative employee benefit plans integrated with cost savings strategies, and offer a one source solution for employee benefits and human resources needs.

Healthy Investing: Plan Now, Gain Tomorrow

Most corporations have a plan to protect the various assets of their company - repair plans for copiers, warranties for computers, service contracts for telephones, fax machines, etc. Do you have a business strategy to protect your most precious assets - the health and well being of your employees? What does that plan look like? It seems so logical that if you improve the health and well being of your employees, you improve the quality of their lives. In turn, you reduce the utilization of health care thereby reducing your health care costs and increasing productivity. However intrinsic we think it might be; many companies are hesitant to make the investment. Investing in the health and well being of your employees may be one of the best investments with the most gain your company can make.

There are many reasons to invest in the health and well being of your employees. We need to examine health care trends. United States health care costs are crippling the corporate bottom lines. We need to investigate the health of the American worker and how the workers' disease states and conditions impact the health care cost of the employer. There are many research studies on the benefits and positive impacts of wellness programs. Finally, many American companies, small and large, are experiencing benefit of corporate wellness.

The cost of health care is rising and is projected to continue to rise. In 2007, the National Health Expenditure (NHE categories include: dental services, durable medical equipment, home health care, hospital care, nursing home care, other personal health care, other professional services, out-of-pocket payments, population, physician and clinical services, prescription drugs and non-medical durable products, private health insurance) grew 6.1% to \$2.2 trillion or \$7,421 per person and accounted for 16.2% of the Gross Domestic Product (GDP equals the entire cost that a country spends on producing goods and services within a year). It is predicted that by 2018, the health share of the Gross Domestic Product will be 20.3%.¹

In 2008, the average annual premium for employer-sponsored health plans was \$4,702 for single coverage and \$12,680 for family coverage. These figures represent a 5% increase from 2007 premiums. Since 1999, the average premiums for family coverage are up 119%.²

In addition to the employer feeling the squeeze of rising health care costs, there is the continuing decline in the health of the American worker. For employers, hiring and keeping healthy workers is dwindling. The top six leading causes of death in the United States are caused by unhealthy lifestyles or behaviors (e.g., obesity and smoking) that lead to heart disease, cancer, stroke, respiratory disease, accident, and diabetes.³ These diseases may be caused by genetics, environment, or lack of access to health care, but 50% of a person's determinant of health status is affected by behavior.⁴

¹ www.cms.hhs.gov/NationalHealthExpendData/25_NHE_Fact_sheet.asp

² www.ehbs.kff.org- The Henry J. Kaiser Family Foundation. Employee Health Benefits: 2008 Annual Survey.

³ www.cdc.gov

⁴ Institute for the Future, Center for Disease Control and Prevention: Midwest Business Group on Health, 2003; Annuals of Internal Medicine, 2002.

Obesity is growing in epidemic proportion. Over 72 million people in America are considered obese. That number correlates to 1 in 3 adults over the age of 20 are obese. 66% of U.S. adults are considered overweight. In 2000, the total cost (direct and indirect) attributable to obesity was estimated to be \$117 billion,⁵ and between 1987 and 2001, diseases associated with obesity accounted for 27% of the increases in medical costs.⁶ Obesity can lead to other costly disease states: high blood pressure, coronary heart disease, stroke, type 2 diabetes, osteoarthritis, sleep apnea and respiratory problems, some cancers, gallbladder disease, and dyslipidemia.⁷

Medical expenses for obese employees are estimated to be between 29% and 117% greater than medical expenses for employees with a healthy weight.⁸ There are some helpful cost calculators available to see what it is costing your company to have physical inactive and obese employees. The East Carolina University offers a physical inactivity calculator: <http://www.ecu.edu/picostcalc/> and The Center for Disease Control offers an obesity calculator where one can determine the cost for obese employees: <http://www.cdc.gov/leanworks/costcalculator/index.html>.

For every person who dies of a smoking-related disease, twenty more people suffer with at least one serious illness from smoking. On average, it costs a company \$1,300 for an employee who smokes.⁹

The connection between disease states and conditions and the cost for them has been continually researched. In a study involving more than 46,000 employees from six large United States companies, employees at high risk for heart disease and stroke had significantly higher health care expenditures (228% higher for heart disease and 85% higher for stroke) than the subjects who were not at risk.¹⁰

Many studies have looked at the benefits of wellness. They have conclusively decided that there are positive cost benefits to wellness and the added value of employee satisfaction, job performance and retention. In a mega evaluation of 42 corporate wellness studies, it was determined that the average reduction in sick leave was 28%. There was a 26% reduction in health costs. Workers' compensation and disability management claims costs were reduced by 30%. The average return on investment was \$5.93 to \$1 savings-to-cost ratio.¹¹ In another review of 32 corporate wellness studies, it was determined that health care claims were reduced by 27.8%, disability costs were reduced by 34.4%, and sick leave was reduced by an average of 28%.¹²

⁵ www.cdc.gov/leanworks

⁶ www.cdc.gov/leanworks

⁷ Goetzel, Ron, *The Financial Impact of Worksite Health Promotion Programs- What's the Return on Investment (ROI)?* New York State Rural Health Network, January 10, 2008.

⁸ www.cdc.gov/leanworks

⁹ The Well Workplace; Wellness Council of America; www.welcoa.org

¹⁰ *American Journal of Health Promotion*; September/October 2005.

¹¹ Chapman, LS; "Meta-evaluation of Worksite Health Promotion Economic Returns Studies"; *The Art of Promotion*; pp.1-16. 2003.

¹² <http://tpm.scgov.net/ROI>

In looking at the return on investment for implementing corporate wellness, the gold standard has been an ROI (return on investment) of 3:1. According to Ron Goetzel, Wellness Expert, “Investing in \$100 to \$150 per employee, per year can generate \$300-\$450 ROI.”¹³ If you can reduce your employees’ health risk, you can save \$2,060 per year, per employee.¹⁴

There are many companies engaged in the various stages of corporate wellness implementation. Some have had a wellness program for many years while others are just beginning to reap the rewards of improved employees’ health. A few examples of larger well-known companies that have integrated highly successful corporate wellness include, Johnson and Johnson, Merrill Lynch, Gallup Organization, Xerox, Simon and Schuster, Pfizer, Lucent Technologies, Paine Weber, Lego, Harley Davidson, UPS, Boeing, Home Shopping Network, NYC Health Department, Fed Ex, Dow Chemical, Union Pacific Railroad.¹⁵ Wellness programs are customizable and vary in size and scope, so any company large or small will have positive results. While companies may have different returns on investment and cost savings, one thing that they have found in common is that healthier employees mean a healthier bottom line.

¹³ The Cost of Wellness, Interview with Ron Goetzel by David Hunnicut, President of Wellness Council of America. 2004. www.welcoa.org.

¹⁴ University of Michigan Health Management, Research Center Cost Benefit Analysis Report, 2006.

¹⁵ www.purewellness.com; www.welcoa.org