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Brokers should be poised to catch the wellness wave

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by Lynn Gresham

April 1, 2007 - Don't pay to treat chronic disease when you can prevent it. It's a simple concept, but one that's spreading rapidly, as evidenced by the growing number and use of workplace wellness programs.

According to the Willis Wellness and Disease Management Survey released late last year, 30% of U.S. employers now offer a program that measures health risks, manages disease and promotes healthy lifestyles, and another 30% plan to offer one in the next three years. What's more, wellness isn't just for larger organizations; 52% of the respondents were from companies with fewer than 500 employees.

"Interest in wellness programs has skyrocketed in the last 12 months," says John Fortin, Willis' national practice leader for health care cost management. "I'm getting calls from everywhere. Just in the past 24 hours, I've had calls from a retailer in Atlanta, a timber company in the Northwest and a seafood manufacturer in Boston."

What's behind the trend?

Evidence is mounting on the direct and indirect costs of chronic disease in the workplace.

In February, PricewaterhouseCoopers issued a report in conjunction with the World Economic Forum showing that the global workforce and Americans in particular are getting "fatter, sicker and less productive." PwC reports that chronic disease caused 60% of the deaths worldwide in 2005, and this number is expected to increase by 17% between 2005 and 2015. It puts the economic toll of chronic disease at approximately 3% of the global gross domestic product.

The Department of Health and Human Services has estimated that chronic diseases (cardiovascular disease, cancer, chronic respiratory disease and diabetes) accounted for more than 60% of U.S. medical care expenditures. Wellcorp Inc. states that 70% of all U.S. medical claims are lifestyle related.

There's a growing desire among CEOs to improve employee health.

The Willis survey found that 89% of respondents agreed that senior management is "strongly committed" (38%) or "somewhat committed" (51%) to employee health and is convinced wellness programs are necessary.

Employees are becoming enthusiasts.

Participation in wellness programs is at an all-time high, according to a national survey of 1,827 employees just released by Principal Financial Group. Citing "significant changes" from just a year ago, Principal states that almost 80% of employees are taking part in health screening programs, 65% have implemented a personalized action plan to improve their health, and 60% use fitness facilities where offered.

"This survey suggests that employers and employees want the same thing employers want a healthier workplace, and employees want to be healthier," says Jerry Ripperger, Principal's director for consumer health. "We've already begun to see the financial impact of what's been done to date."

Early adopters of wellness programs are reporting impressive ROI.

Although there is not a plethora of data on wellness program return on investment (Willis finds only 23% of employers with wellness programs are measuring ROI), more success stories are coming to light.

A four-year study at Xerox Corp. showed a sizeable drop in the frequency and seriousness of workplace injuries among employees who participate in the company's wellness program. Of the 943 employees who participated in the company's wellness program, 5.6% made workers' compensation claims. Among nonparticipants, 8.9% issued such claims. The participation also had an effect on the average cost per injury ($6,506 for wellness participants, $9,482 for nonparticipants).

Rockford Acromatic, a small automotive parts manufacturer in Love Park, Ill., has found its initial foray into wellness has paid off in a big way.

In May 2006, Rockford Risk Manager Jim Knutson introduced a weight management program run by Tangerine Wellness to the company's 80 employees. A scant six months later, Knutson was estimating results amazing results from the program. Participation was over 80%, and the company was on track to save 10% or a net $50,000 to $60,000 in health care costs for the year. That estimate, which takes into account the cost of the program and the incentives to employees, is based on claims data and medical cost calculations.

"For a small company, this savings is major money," he says. "If our net income is five percent of sales, that's like having an additional $1 million in sales."

Willis' survey shows that 92% of companies calculating ROI estimate a return of $1 to $2 for each dollar invested, and 8% report a $3 to $4 ROI (see charts).

Not only are employers with wellness programs reporting lower health care costs, they also are finding that employees are absent less often and show greater job satisfaction. Fifty-one percent of employees responding to Principal's survey indicated their employer's wellness program encourages them to work harder and perform better, and 55% said having a wellness program encourages them to stay with the organization.

"A year ago, employers were adopting wellness programs because they knew intellectually that it was a good idea," says Willis' Fortin. "Now they are becoming committed because there is a ROI. Medical claims will flatten and absenteeism and presenteeism will improve."

Meeting the demand

For brokers, responding to the demand for wellness programs will be a challenge. The industry providing wellness and DM programs remains fragmented; carriers currently have 44% of the market, TPAs 17%, specialty vendors 1% and others 18%, according to Willis.

"No one has any significant market share at all," Fortin observes. "You'd expect the carriers to be dominating this space, but not so. They still have a lot of silos; there are good programs for weight management, smoking cessation, cancer treatment and so forth, but the integration isn't there."

The wide-open market has brokers "more confused than a termite in a yo-yo," Fortin quips.

"In many ways, this dot-wellness boom is like the dot-com boom. We're seeing startups with 20 to 30 employees. Brokers are scrambling to determine who to use as partners."

Brokers who aren't talking to clients about wellness programs could be on the wrong side of a tidal wave.

"I used to hear 'I can't put in a wellness program because I don't have a budget,'" says Fortin. "Now senior executives are saying, 'Give me a business plan, because I'm committed to this.' Furthermore, they realize this is a long-term commitment, and you need a lot of things to happen to make it right."

Wellness: A Worldwide Phenomenon

Like climate change, wellness has become a global issue.

According to a report presented at the January World Economic Forum in Davos by PricewaterhouseCoopers, more than half of multinational corporations expect to introduce or expand corporate wellness programs over the next five years. One-third are rolling out comprehensive wellness programs in multiple countries, while another 17% will focus on a single wellness program in multiple countries.

The corporations' reasons for promoting wellness are:

1. Reduce indirect costs associated with absenteeism, presenteeism, disability and workers' compensation.

2. Improve work performance, such as productivity and quality.

3. Reduce direct health care costs.

4. Improve the image of the company internally (for retention).

5. Improve the image of the company externally (for recruitment).
