



# Employers should focus on cost of poor employee health

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Employers, brokers and consultants should thoroughly evaluate the overall cost of poor employee health and not solely focus on the more identifiable medical and pharmaceutical costs, according to a new productivity insight paper “Productivity Insight #1 – Health-Related Lost Productivity: Causes and Solutions” from Standard Insurance Company.

The Productivity Insight focuses on the causes of and potential solutions for health-related lost productivity, which represents the decline in employee productivity due to absenteeism and presenteeism. Presenteeism is the productivity loss caused by employees at work with medical conditions, either physical or mental.

“Employers, brokers and consultants should picture the total cost of poor employee health as an iceberg,” says Michael Klachefsky, national practice leader of workplace possibilities for The Standard and author of the paper’s series. “Medical and pharmaceutical costs lie ‘above the water’ and currently demand much of an organization’s attention yet represent only 30 percent of the total cost of poor employee health. Health-related lost productivity costs lie beneath the surface and are not as easily identifiable. Yet these costs make up 70 percent of the total cost of poor employee health and can have a substantial impact on an organization’s profitability.”

The paper, which is the first release of a five-part series, also reveals that the total cost of incident and extended employee absences for direct and indirect costs come to approximately 8.7 percent of an employer’s base payroll.

Presenteeism is another large contributor to health-related lost productivity, the paper finds, and it can be attributed to many employee medical conditions, such as mental health conditions, musculoskeletal conditions, arthritis, obesity and allergies. Behavioral health conditions are a major primary cause of presenteeism, which can directly impact an employee’s productivity.

According to the paper, short-term disability offers a “teachable moment” to connect disabled or struggling employees with an employer’s health management programs in an effort to cut health-related lost productivity.

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