How Much Can Workplace Wellness Programs Save?

Workplace health promotion programs have the potential to reduce average worker health costs by 18%—and even more for older workers—reports a study in the January Journal of Occupational and Environmental Medicine, the official publication of the American College of Occupational and Environmental Medicine (ACOEM).

Jonathan Dugas, PhD, and colleagues of The Vitality Group, Chicago, combined data from two major studies to estimate the possible savings in medical costs from reductions in key health risk factors. The study focused on seven risk factors or medical conditions typically addressed by workplace wellness programs: physical inactivity, low fruit and vegetable intake, smoking, overweight/obesity, high blood pressure, high cholesterol and alcohol abuse.

The results suggested that—if all heightened risk factors could be reduced to their "theoretical minimums"—total medical care expenses per person for all working age adults would be reduced by about $650, or approximately 18%. The possible savings increased with age—up to 28% for older working adults and retirees.

Employers are very interested in workplace wellness programs to improve the health and well-being of the workforce, with resulting savings in medical costs, among other benefits. But there are conflicting reports on the potential for long-term savings.

One widely repeated figure, attributed to former Surgeon General C. Everett Koop, is that preventable illness makes up about 70% of the burden and costs of illness. While the cost reductions estimated in the new study are more modest, Dr. Dugas and coauthors write, "The potential savings from workplace wellness programs are still quite large and supportive of widespread interest by employers."

While the maximum savings estimated are unlikely to be achieved immediately, Dr. Dugas and colleagues add, "Medical care savings from workplace wellness programs will increase with time given that more eligible wellness program members participate, effective control of heightened risk factors improves, and greater risk reversal can be achieved."

For more information, visit www.acoem.org.

Health Account Balances Resume Growth

After a slight drop during the recent recession, Health Savings Accounts and Health Reimbursement Arrangements are showing renewed growth, the average account balance increasing over the past two years, according to new research by the Employee Benefit Research Institute.

These individual health accounts are a central element in so-called consumer-driven health plans, which first began to appear in the work place about 12 years ago. They are designed to give individuals more control over funds allocated for health care services, thereby causing health plan participants to spend the money more responsibly.

According to results from the 2012 Consumer Engagement in Health Care Survey (CEHCS), sponsored by EBRI and Mathew Greenwald and Associates, average account balances leveled off in 2008 and 2009, and fell slightly in 2010, but increased in 2011 and 2012. Specifically, average account balances rebounded to $1,470 (up nine percent increase from 2010) and to $1,534 in 2012 (a four-percent increase).

In 2012, there was $17.8 billion in HSAs and HRAs, spread across 11.6 million accounts, according to the CEHCS. This was up from 2006 (when there were 1.3 million accounts with $873.4 million in assets) and 2011 (when 8.5 million accounts held $12.4 billion in assets).

Paul Fronstin, director of EBRI's Health Research and Education Program and author of the report, noted a finding that healthy behavior by owners of these health accounts does not mean they have higher balances.

"Individuals who smoke have more money in their accounts than those who do not smoke. There was very little difference in account balances by level of exercise," Fronstin said. "Next to no relationship was found between either account balance or rollover amounts and various cost-conscious behaviors."

Among other findings, the report found that men have higher account balances than women, older individuals have higher account balances, account balances increase with household income, and education has a significant impact on account balances independent of income and other variables. Rollover amounts increased with household income and education, and individuals with single coverage rolled over a slightly higher amount than those with family coverage in 2012.

The full report is published in the January 2013 EBRI Issue Brief no. 382, "Health Savings Accounts and Health Reimbursement Arrangements: Assets, Account Balances and Rollovers, 2006–2012," available online at www.ebri.org.

Financial Strain on Workforce Leads to Increased Need for Disability Benefits, Related Services

The average net worth for an American employee has fallen significantly in the last 10 years. This decrease is contributing to changing workplace demographics and an increased need for group disability insurance and related services, such as absence management, according to recent industry analysis by The Standard Insurance Company.

"The recession, along with higher healthcare costs and a multigenerational workforce, is creating a unique situation for employers," said Alex Dumont, assistant vice president, product marketing at The Standard. "Lower employee net worth has made it necessary for baby boomers to have a longer employment tenure to recoup money lost during the Great Recession. This is affecting the upward trajectory of Generation X and millennials and will shift the current cost structure under which employers are operating."

As many baby boomers are forced to delay retirement, they are inadvertently creating a workplace with higher likelihood of serious illness or injury. This can strain employer health care costs. Research shows that the cost of healthcare claims increases every 10 years for men beginning at age 45 and for women beginning at age 35.

To keep baby boomers productive and reduce the likelihood of a disability leave, it is increasingly important to have return-to-work, stay-at-work and wellness programs available.

Younger age groups are facing their own financial challenges, often doing more with less. Their personal wealth is suffering for many reasons, including slowed upward movement and increased family responsibilities—such as caring for children and aging parents.

"We've seen the cost of caring for children and aging parents rise over the last 10 years, placing a significant financial burden on Generation X and millennials," Dumont said. "These generations—sometimes referred to as the 'sandwich generation'—are more likely to use family and medical leave benefits to care for family members. They are not afraid to use these benefits, especially since they can't always afford to pay for family care services."

To help employers manage costs associated with family medical leave, The Standard suggests providing workers with more flexibility, including options for where and when they complete their work. In addition, a comprehensive absence management program available through an employer's disability provider is helpful for tracking utilization of family medical leave to ensure the leaves are managed correctly, reducing the burden on HR staff.

To learn more, visit www.workplacepossibilities.com.

Americans See Real Rewards from Workplace Wellness Programs

More American workers recognize the rewards of participating in workplace wellness programs, according to the latest Principal Financial Well-Being Index: American Workers. Sixty-two percent of workers, up from 55% in 2011, believe workplace wellness activities are successful in improving health and reducing health risks.

The index, which surveys American workers at growing businesses with 10 to 1,000 workers, is released by the Principal Financial Group and conducted by Harris Interactive. These findings focusing specifically on wellness attitudes and behaviors among American workers were taken from the fourth quarter 2012 Index.

By taking advantage of workplace wellness offerings, American employees are approaching their work with more energy and motivation. Fifty-one percent of program participants feel wellness benefits encourage them to work harder and perform better, and another 59% of program participants say they have more energy to be productive at work as a result of their participation in employer-sponsored wellness programs.

"As wellness programs become more established in the workplace, we are seeing a growing number of employees appreciate—and expect—that their employer offers these benefits," said Lee Dukes, president of Principal Wellness Company, a subsidiary of the Principal Financial Group. "In the wake of the financial crisis, which has left many companies stretched thin, maintaining a productive workforce is a priority for organizations."

Nearly half (45%) of employees agree that an employer-sponsored wellness program would encourage them to stay in their current employment situation, up from 40% in 2011. Additionally, 43% of participants say wellness programs have led them to miss fewer days of work, up eight percent from 2011. Despite the apparent benefits, about a third (34%) of workers still do not participate in any of the wellness programs offered by their employers.

As wellness programs become more popular, employers are offering a variety of ways to encourage employees to participate. The survey shows the top three ways employees are encouraged by their employers to participate in wellness programs are encouragement by management (20%), lower health insurance costs to those who participate (20%) or allotted time for participation during the workday (20%, up from nine percent). Only a little more than a third (36%) say their employers do not offer any encouragement to participate in wellness benefits, a significant divergence from the previous three years, when about half of participants said their employer did nothing to encourage wellness program participation.

Participants also cited an increase in the following employer incentives:

- Seventeen percent, up from nine percent the previous year, say their employer offers contributions into