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Employee Health Takes on New Meaning

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Two different studies came to my attention at SHRM's 2012 Annual Conference and Exposition — both underscoring a growing awareness that keeping workers working, and healthy and productive, is probably the best way to cut healthcare costs.

In essence — though as important cost-cutting factors — focusing on plan design and doctors' and drug costs may be taking a back seat to keeping workers healthy and happy, at work.

One, a just-released report from The Standard Insurance Co.'s Workplace Possibilities program, titled *Health-Related Lost Productivity: Causes and Solutions*, kind of turns on its ear the notion that medical care and drug costs should be employers' biggest worries.

It cites recent studies (one in the *Journal of Occupational Environmental Medicine,* "Health and Productivity as a Business Strategy: A Multi-Employer Study," and two others by Mercer and Kronos on the *Total Financial Impact of Employee Absences)* showing that medical and pharmaceutical costs make up only 30 percent of the total cost of poor employee health.

The other 70 percent can be attributed to what The Standard calls health-related lost productivity costs. Those accrue through presenteeism (workers showing up but not producing at full capacity due to illness) and absenteeism. And the latter costs accrue through all kinds of demons: overtime for the workers left to pick up the pieces, turnover should patients never return, temporary staffing, working slow, late deliveries (because, let's face it, replacements just don't know the ropes like the employees themselves), replacement training, customer and variable product quality.

Michael Klachefsky, national practice leader of The Standard's Workplace Possibilities program and author of the report, calls it the "iceberg concept."

"These are the hidden costs, like the part of the iceberg under the water's surface," he tells me. "Our findings show the people left to pick up the slack are, on average, 15 percent to 44 percent more expensive, and 21 percent to 29 percent less productive."

His research shows that, for every $1 employers spend on worker medical or pharmacy costs, they absorb at least $2.30 of HRLP costs.

"It's intuitive," says Klachefsky, "but no one ever measured it before."

His company actually bases its services on this concept through numerous proactive fixes, such as on-site wellness and return-to-work consultants, ergonomic advice, products and services, and a blog — workplacepossibilities.com — devoted solely to educating employers and employees about ways to avoid medical leave and keep short-term disability from becoming long-term disability.

"We're doing the 70 percent," Klachefsky says. "Most others are addressing the 30 percent."

Also at the conference, SHRM released its *2012 Employee Benefits Survey*, showing more employers are offering benefits now that encourage employees to improve their health. Of the 550 randomly selected HR professionals surveyed by SHRM, 45 percent are now offering health and lifestyle coaching, up from 33 percent in 2008, and 35 percent are rewarding — through lower premiums or bonuses — workers who complete health and wellness programs, up from 23 percent in 2008.

"Employers recognize that providing employees with the opportunity to improve their health can increase morale, confidence and productivity," says Mark J. Schmit, vice president or research at SHRM.

“Organizations continue to look for ways to manage costs as the economy slowly improves,” he says, “[recognizing that] healthier employees … help decrease healthcare costs to employers and employees.”