

An Update on Wellness Programs



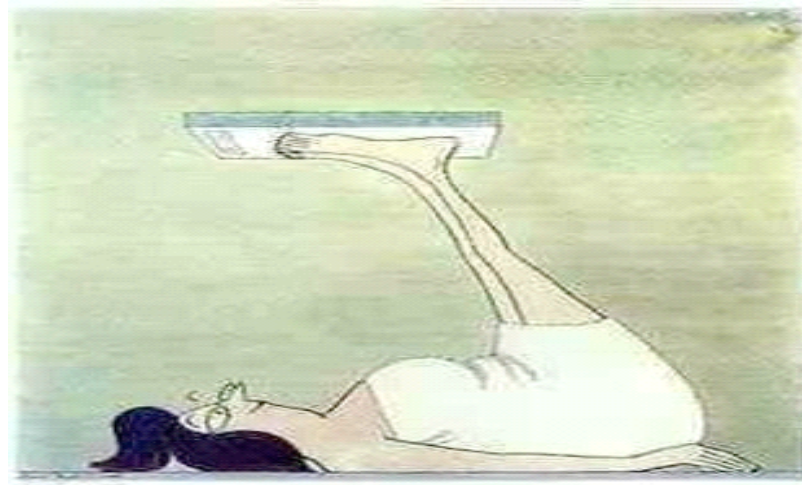
Where Are We Today and What's on the Horizon

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Hays Companies

Agenda

- ☞ Introduction
- ☞ What's the buzz?
- ☞ A side bar on Impact & ROI
- ☞ What are employer challenges
- ☞ What ensures success
- ☞ What's next?
- ☞ Questions and answers



"I can't believe I was doing it wrong all of these years!"

Introduction

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What's the Buzz

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Just Three Years Ago

☞ 2008 Pricewaterhouse Coopers' Health and Wellness Touchstone Survey results

- 69% of 561 companies have a wellness program
- Less than 30% of members participate: the use of incentives increases participation
- 52% of respondents don't believe wellness programs are effective at mitigating healthcare costs, improving performance/productivity, or enhancing employee engagement/loyalty
 - They do believe they are effective at reinforcing corporate responsibility and image

Fidelity/NBGH 2010 survey

Hays

- ✎ *Of 147 employers surveyed, all offered some sort of health management programming*
- ✎ *Respondents spent 2% of their overall health care budget on programs to impact health (same as 2009)*
- ✎ *62% offered financial incentives to participate; 50% offered incentives to participate to spouses*
- ✎ *Average dollar value of the incentives: \$430 per employee*
- ✎ *64% of employers adjust contributions to rewards are cost-neutral*
- ✎ *Employers with 5,000 – 15,000 employees were more likely than employers with less than 5,000 employees to offer incentives (78% vs. 38%)*

Fidelity/NBGH 2010 survey

Hays

- ⌘ *Only 46% of respondents measure clinical outcomes as a gauge of program success*
- ⌘ *Most popular success metrics: participation (77%) employee feedback (64%), and utilization of preventive services (60%)*
 - 60% use claim costs
 - 50% use annual health care trend rates
- ⌘ *Conclusion:*
 - Employers are investing in wellness but they continue to struggle with measuring impact

<http://www.businessinsurance.com/article/20110206/ISSUE01/302069994>

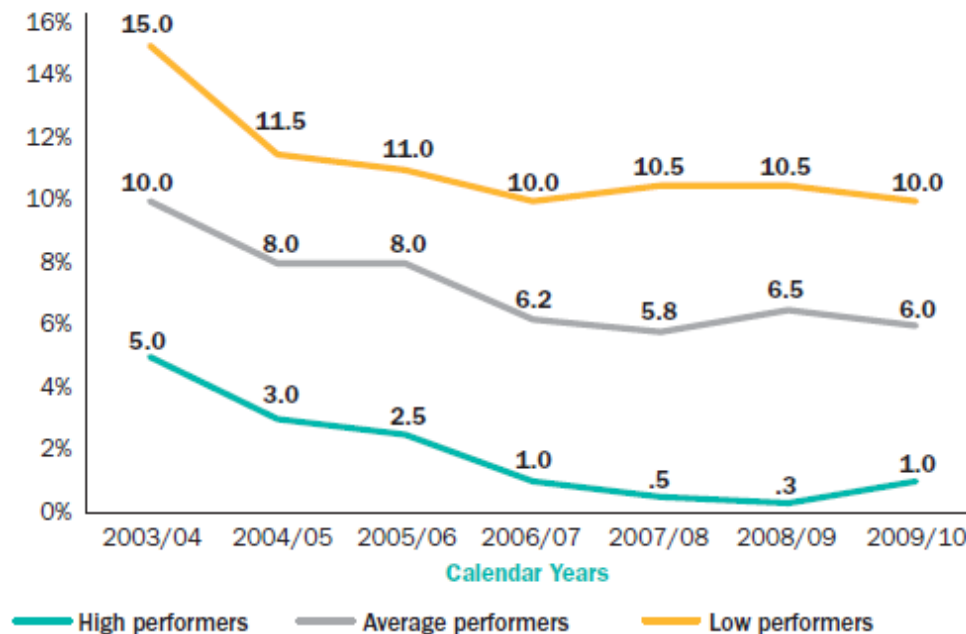
Towers Watson: Managing Health Lower Trend

Hays

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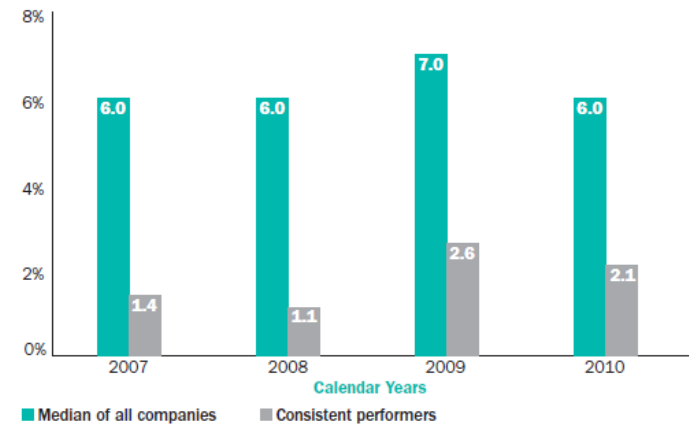
Figure 10. Median trends for high, average and low performers

Two-year average trend



Note: Two-year average trends for medical and drug claims for active employees, net of employee premium contributions

Figure 11. Consistent performers vs. median annual cost trends, 2007–2010



Note: Median trends for medical and drug claims for active employees, net of employee premium contributions

Towers Watson: Bending the Cost Curve

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Figure 12. Annual costs and increases by performance group

	Performance Groups			Difference	
	Consistent Performers	High Performers	Low Performers	Consistent vs. Low	High vs. Low
Total PEPY costs, 2010	\$9,016	\$9,302	\$11,047	-\$2,031	-\$1,745
PEPY costs, net contributions, 2010	\$7,042	\$7,392	\$8,576	-\$1,534	-\$1,184
Employee contributions, 2010	\$1,974	\$1,910	\$2,471	-\$497	-\$561
Employee share of contributions, 2010	21.9	20.5	22.4	-0.5	-1.8
Two-year average cost trend	2.6	1.0	10.0	-7.4	-9.0
2010 cost trend, net contributions	2.1	0.0	10.0	-7.9	-10.0
2010 cost trend, before changes	4.8	4.5	10.0	-5.2	-5.5

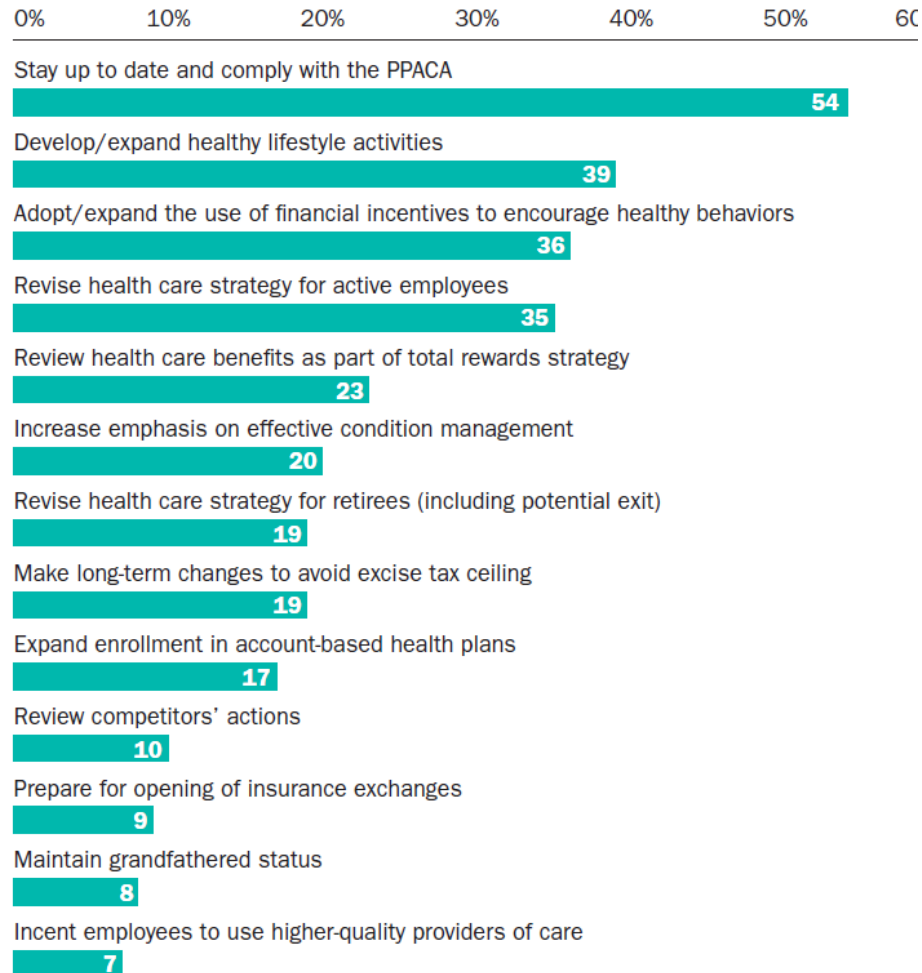
In terms of cost management, both consistent and high performers are noticeably ahead. In 2010, the cost difference between consistent performers and low performers was more than \$2,000 per employee. The cost difference between high performers and low performers was \$1,745 per employee (Figure 12). For a consistent performer with 10,000 employees, this adds up to a \$20 million cost advantage over a low-performing

competitor. Consistent performers' affordability proposition for employees is also superior to low performers'. Notably, employees at consistent-performing companies pay 20% less than their counterparts at low-performing companies. Apart from the obvious advantages of paying lower costs, affordable health care is key to providing a competitive reward package, and to attracting and retaining top talent.*

Towers Watson: Top Health **Hays** Care Strategies

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Figure 17. Top health care strategies for 2012



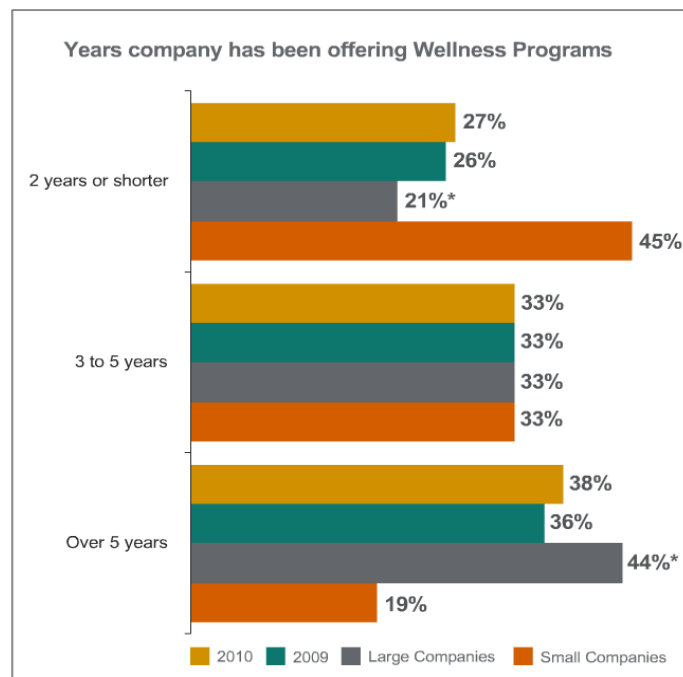
Note: Companies were asked to identify their top three focus areas.

Optum: Time Investment in Wellness Hays

Years offering Wellness

More than one-third of the companies interviewed have been offering Wellness Programs for 5 years or more (38%)

- Smaller companies (45% with 2–99 employees) are more likely to have only offered Wellness Programs for the past 0–2 years than larger companies (21% with 3,000 or more employees)
- Larger companies are more likely to offer programs for over 5 years (44% vs. 19% of smaller companies)



*Indicates statistically significant difference between Large Companies and Small Companies
Q14. How long have you been offering Wellness Programs?

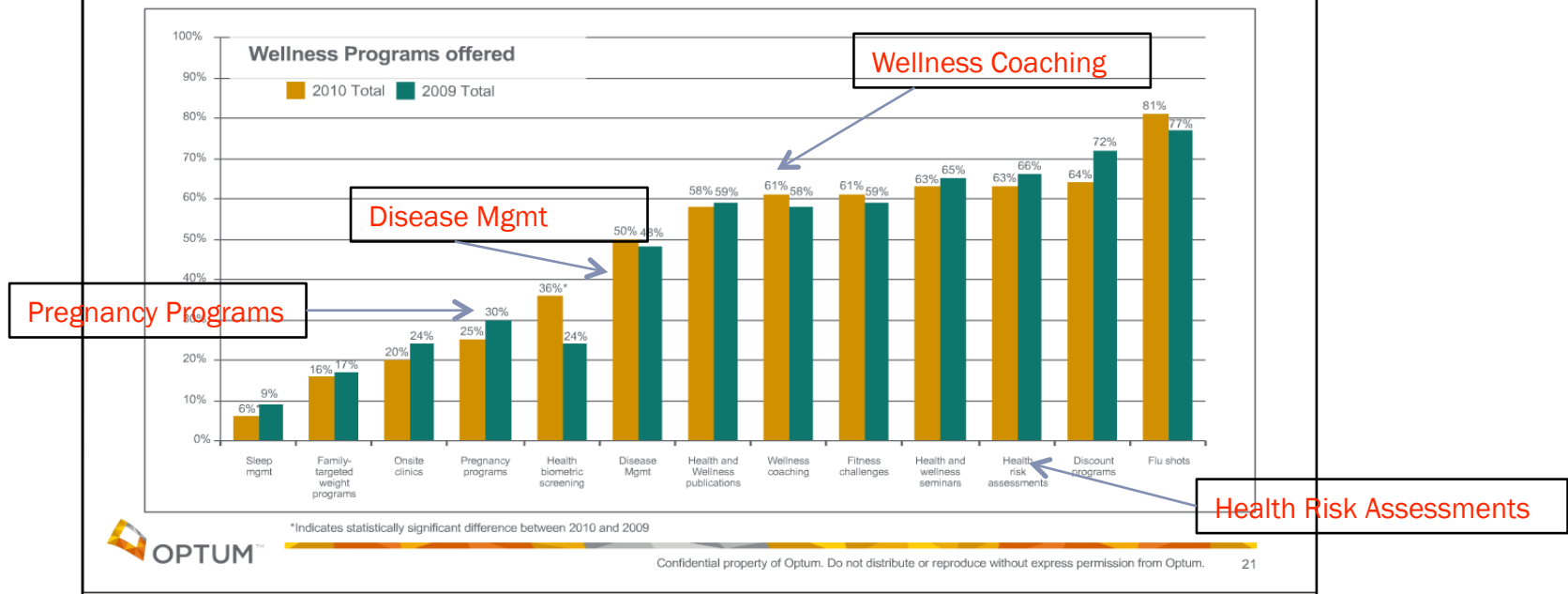
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Optum: Offered Wellness Components Hays

Overall Wellness Programs offered

- Eight out of ten companies offer flu shots to employees (81%)
- On average, companies offer six Wellness Programs to employees
 - A higher proportion of companies now offer Biometric Screenings in 2010 (36% vs. 24% in 2009) and fewer companies offer discount (65% vs. 72% in 2009) or sleep management programs in 2010 (6% vs. 9% in 2009)



Optum: Trends & Planning

Wellness trends

Insights	Recommendations
Almost half of all organizations do not have any strategic plan to guide their wellness initiatives	Large organizations in particular should consider working with vendors who can provide strategic guidance and offer strategic planning consulting services that integrate with their health and wellness offerings
While penetration of wellness programs appears much higher among large companies, smaller companies appear to lag behind	Smaller companies should consider how they can begin to incorporate wellness into their organization
Organizations with a dedicated employee to promote wellness initiatives generate 26% more participation (48 points vs. 38 points) compared to those organizations without a dedicated employee	<ul style="list-style-type: none"> Consider investing in resources (full-time or part-time) to help promote your wellness program within the organization Look to vendors with consulting services to help determine resource needs
Onsite programs, including flu shots and biometric screening events, have shown very rapid year over year penetration across the board	<ul style="list-style-type: none"> Onsite programs are critical in identifying risk factors and inspiring employees to take action Look for vendors who have well-integrated wellness and disease management services with biometric screenings to ensure maximum opportunity for employee and member participation
Most companies consider wellness a vital part of their benefits mix, serving as an opportunity to maximize health and productivity as well as employee morale	<ul style="list-style-type: none"> For companies not yet offering wellness programs: start by understanding the risks in your population and assess employee needs/interests With wellness programs: evaluate the program mix to ensure programs continue to address population needs; be sure you have a robust communications plan

“Almost half of all organizations do not have any strategic plan to guide their wellness initiatives”

Optum: Using Incentives

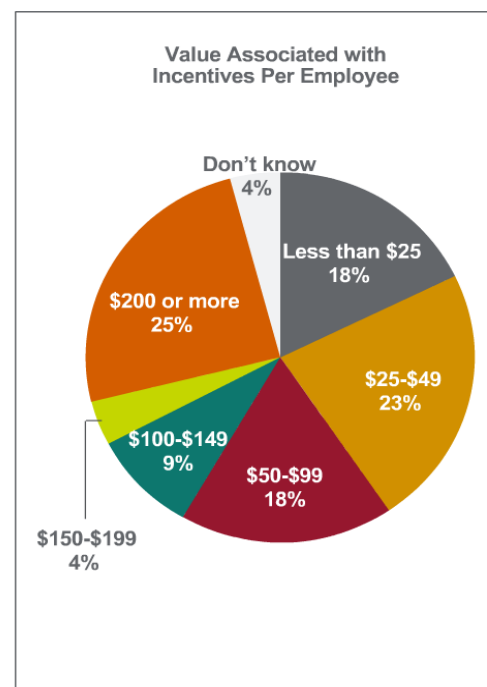
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Why do we even need incentives?

Are the incentives appropriate for the activity?

Using incentives to encourage participation

- The majority of companies who provide participation incentives value those incentives under \$100 per employee (59%)
- The companies that offer giveaways, merchandise, and vacation/personal days off as an incentive to participate in wellness typically value their incentives under \$100 per person
 - Many offering premium reductions or company contributions to HSA value incentives at over \$200 per person
 - Discounts, gift cards, cash, and point-based systems seem to fall into two main categories, the low-end (\$25–\$100) and the high-end (over \$200)
- Smaller companies are more likely to offer incentives under \$25 (29% compared to 15% of larger companies) and larger companies are more likely to offer incentives of \$200 or more (28% compared to 14% of smaller companies)
- Incentives valued over \$200 are more likely to come from companies offering eight or more wellness activities than companies offering two to four programs



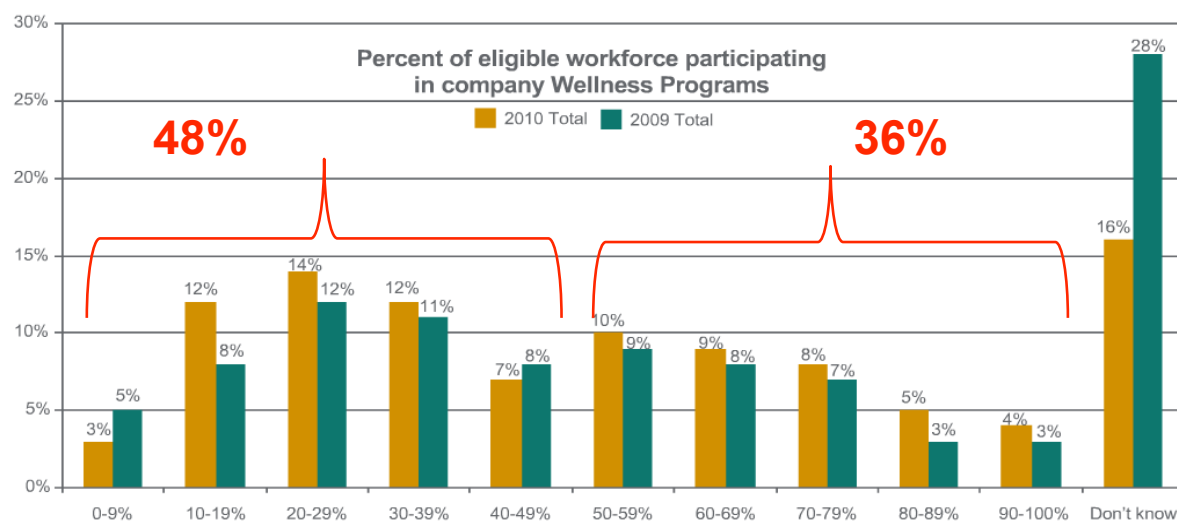
Note: new question in 2010
Q10A. Considering the incentives you mentioned, please give your best estimate of the total monetary value associated with those incentives per employee. (n=311)

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Optum: Participation

Participation in Wellness Programs

- According to employers, on average, 43% of eligible employees participate in company Wellness Programs, which is consistent with 42% participating in 2009
 - More organizations with participation rates over 50% in 2010 (29%) than did in 2009 (22%)
 - One out of six HR professionals do not know what percentage of employees participate in company Wellness Programs (16% in 2010, which is significantly less than 28% in 2009)



Indicates statistically significant difference between 2009 and 2010.

Q15. What percentage of your eligible workforce participates in your company's Wellness Programs?



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OPTUM: How Programs are Evaluated

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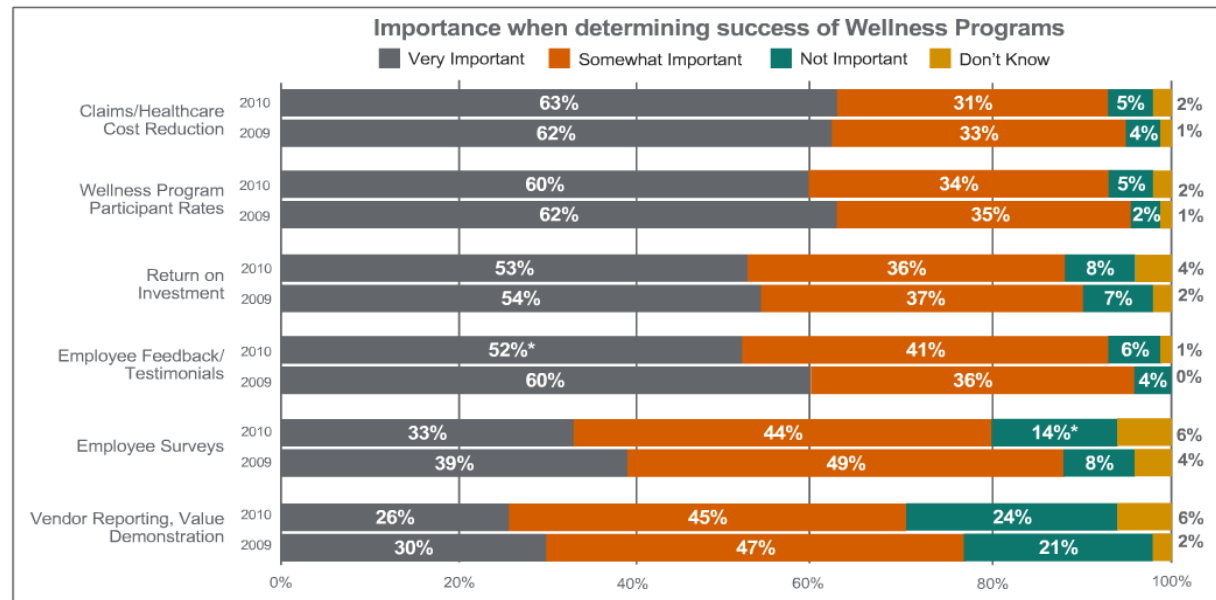
By importance: Claims/cost reduction, Participation rates, ROI

Participation is needed to determine impact

Evaluating the success of Wellness Programs

Organizations place the most importance on Claims/Healthcare Cost Reduction, Participant Rates and ROI when determining the success of their Wellness Programs

- Less importance was placed on Employee Feedback/Testimonials (93% vs. 96% in 2009), Employee Surveys (80% vs. 88% in 2009), and Vendor Reporting (71% vs. 77% in 2009) in 2010 than in 2009



* Indicates statistically significant difference between 2010 and 2009

Q9. How important is each of the following in how you determine the success of your Wellness Programs? ("important" reported as Top 2 Box)



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A Sidebar on Impact & ROI

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Just the Facts, Just the Math

Impact of Wellness on Health Care Utilization

INCREASES IN UTILIZATION

- ⌘ Physician visits for preventive care/screenings
- ⌘ Prescriptions (high blood pressure, high cholesterol, etc)
- ⌘ Lab work
- ⌘ Mental health visits

ULTIMATE DECREASES IN UTILIZATION

- ⌘ Inpatient hospitalization
- ⌘ Emergency room visits
- ⌘ Prescriptions (high blood pressure, high cholesterol, etc.)

In Search of a ROI

- ⌘ Statistically valid ROIs are extremely costly to calculate and require 10,000 unique members in the program
- ⌘ Alternative savings/impact metrics come from
 - Utilization patterns
 - Employer driven metrics such as productivity, absenteeism, work comp, disability data, etc
- ⌘ One year of results does not constitute trend
- ⌘ Requires population-based evaluation
 - Is measured on the full population and not just on participants
 - Eliminates self-selection bias
- ⌘ Will not be fully realized for 3-5 years

So If It's Not an ROI, What Is It?

Hays

- ⌘ What are the behaviors your program is trying to influence?
- ⌘ What is meaningful to your organization?
 - Utilization units
 - Satisfaction
 - Lifestyle risk change (HRA data)
 - RX measures
 - % of preventive visits
 - Participation
 - Unplanned absenteeism
 - Retention/turnover
 - Productivity
 - Volunteer hours

One Employer's Alternative Metrics

Hays

- ∞ Work comp modification factor reduced by 70%
- ∞ Employee productivity
 - Increase of 22%
- ∞ Employee retention:
 - Increase from 69% to 93% over 6 years
- ∞ Employee satisfaction:
 - Increase from 75% to 95% over 6 years

When You Shouldn't Invest in Wellness

- ⌘ If incentives and plan design do not drive in excess of 65-85% participation in sustainable behavior changing programs
- ⌘ If the program is *not* focused on behavior change and only has awareness/information raising components
- ⌘ If there is no outbound follow-up on either lifestyle or biometric identified risk factors
- ⌘ If the social norms and messaging are not in sync with individual expectations for well-being

Employer Challenges

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Participation Is Less than **Hays** 50%

- ⌘ Just because you build it/offer it, doesn't mean your employees will participate
- ⌘ Keep it simple
- ⌘ Readiness to change affects participation
- ⌘ You need meaningful, well-communicated incentives

No Money for Incentives

- ⌘ There's no ROI if you don't invest
 - What is the cost of doing nothing?
- ⌘ Adjust premiums to cover the cost of incentives
- ⌘ Promote the program as a 20% savings for participants

<i>This Year's Premium Contribution Bi-weekly</i>	<i>Next Year's Projected Premium Contribution</i>	<i>Next Year's Premium Contribution for Non- Participants</i>	<i>Next Year's Premium Contribution for Participants</i>
\$50	\$65	\$78	\$65

Expectations

- ⌘ Adults don't change lifestyle behaviors because you tell them to do something differently
 - If they did, this would be EASY!
- ⌘ Health does not equal wellness
- ⌘ Wellness is something that you may not see

What Ensures Success

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Culture

- ☞ It defines the organization
- ☞ It sets the social norm and communicates expectations
- ☞ If you don't have this, you will have a difficult time having success with your wellness initiatives



Communications

- ☞ Choose words carefully- what are they saying to your reader?
 - Are you depressed? Marital problems? Facing foreclosure? Call the EAP today.
 - We've all had hard times when life was overwhelming. Times where it was tough to communicate with our spouse or kids or pay our bills on time. Our EAP has many resources to help out in these times. Call them for confidential resources , extra support or guidance today.
- ☞ Multiple sources, multiple media, multiple repetitions

What's Next

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Trends in Wellnes

Future Wellness Program Impacts

Hays

- ⌘ Social media
- ⌘ Charitable focus
- ⌘ Inclusion of spouses *and* children
- ⌘ Consumerism
 - It's more than just your lifestyle choices; it's how you use healthcare resources and benefits
- ⌘ Outcomes versus participation based rewards
- ⌘ Healthcare reform
 - If employers don't offer healthcare benefits, will they support wellness programs?

Questions & Discussion



Thank you for your time & attention today

For more information, please contact: