White Paper

Beyond ROI: Building employee health & wellness value of investment

Optum™ & National Business Group on Health: Value of Investment Study results

Until now, the business case for return on investment (ROI) of health & wellness programs has been built on financial measures of ROI driven primarily by health care cost savings. Today, there is a movement underway to build a broader business case and performance story for health management.

The National Business Group on Health and Optum recognized this opportunity and partnered to conduct research with U.S. employers. The research study was designed to answer a critical question: **Are employers offering health & wellness programs for reasons beyond health care cost savings?**

Taking that premise a step further, the research study sought to identify the:

- Primary and emerging reasons employers offer health & wellness programs
- Relative importance of each reason
- Metrics currently used to demonstrate program value
- Ease with which employers can measure and track outcomes

Methodology

The researchers began by identifying potential reasons employers offer health & wellness programs. They vetted those reasons with a core group of subject matter experts. Fourteen reasons formed the basis for the study.

To reduce employee health risks

TO IMPROVE EMPLOYEE MORALE

To improve employee job satisfaction

To manage/reduce disability claims

To manage or reduce health care costs

To attract or retain talented employees

To reduce the number of sick days

TO IMPROVE EMPLOYEE DAILY HEALTH DECISIONS AT WORK

To improve employee productivity

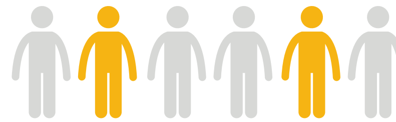
To increase on-the-job safety

To improve employee energy levels at work

To improve co-worker relationships/build comradery

To reduce presenteeism

TO IMPACT BUSINESS PERFORMANCE METRICS AND PROFITABILITY



RESPONDENT PROFILE

- **275** unique employers participated
- All offered at least **five different health & wellness interventions/activities**
- More than 90% of respondents had **3,000 or more employees**
- All were involved in health benefits decision making
- Nearly **90%** were director level and above
- Respondents represented industries including **Manufacturing, Health Care, Retail, Professional/Technical and Financial/Insurance**

The researchers then used a MaxDiff research methodology (also called Maximum-Difference or Best-Worst analysis) to uncover the relative importance of reasons for offering health & wellness programs.

THE MAXDIFF APPROACH

For this study, it was critical to understand the weight of each reason to more accurately gauge its importance. Unlike rating scales, which often have participants rank-order a long list of items, MaxDiff forces respondents to make choices. MaxDiff analysis measures a respondent's choice and tradeoff (best/worst) to reveal the relative importance of each attribute studied.

The findings

INSIGHT #1:

The study found that

91% of employers report offering health & wellness programs for reasons beyond medical cost savings.

Overall, respondents agreed on **three primary reasons** for investing in health & wellness programs:

Reduce employee health risks

Reduce health care costs

Improve employee productivity

While the top three reasons for offering health & wellness programs are health risk reduction, health care cost savings and productivity improvements, the MaxDiff methodology allows us to understand the relative importance of each reason. What we find is that health risk reduction and health care cost savings are actually 40% more important to employers than productivity improvements.

While the top three reasons weren't surprising, the research revealed a cluster of emerging reasons that represents the value of investment (VOI) opportunity (shown in order of importance, highest to lowest):

TOP EMERGING REASONS

- **Manage/reduce disability claims**
- **Improve employee job satisfaction**
- **Impact business performance metrics and profitability**
- **Improve employee daily health decisions at work**
- **Attract or retain talented employees**
- **Reduce the number of sick days**
- **Reduce presenteeism**
- **Improve employee morale**

Similarities and differences

Researchers also sought to discover differences between a range of employer attributes. For example, do organizations with long-standing health & wellness programs value certain outcome measures differently than organizations that have only recently engaged in health & wellness?

Employers with mature health & wellness programs had a broader view on how the programs can deliver value. This may be attributed to their ability to develop more sophisticated data-gathering techniques, or perhaps because they have already demonstrated medical cost savings and want to report value in additional ways.

The survey results also showed that senior leadership and managers/directors weigh health management value indicators differently. Their responses revealed the following:

Although **senior leadership** was still very focused on health care cost reduction, they were significantly more focused than managers/directors on improving employee daily health decisions with health & wellness programs.

Manager/directors, on the other hand, placed greater importance on reducing health care costs, disability claims and sick days.

These differences suggest that managers of health & wellness programs may gain stronger leadership support for their programs if they begin to craft a broader set of metrics to demonstrate the value of these programs.

From an employer size standpoint, jumbo-sized employers (20,000+) placed more importance on health care cost reduction than large employers. However, large employers (3,000–19,999) placed more importance on morale, energy levels and co-worker relationships. These findings suggest that the shift from ROI to VOI may be driven by the large employer segment that is clearly seeing value in emerging metrics.

LARGE EMPLOYERS
(3,000–19,999)
placed more importance on morale, energy levels and co-worker relationships.

Not surprisingly, companies with older workforces placed more importance on health care costs/sick days/disability claims. Companies with younger workforces placed more importance on productivity.

FROM AN INDUSTRY PERSPECTIVE:

- Health care, retail and professional/technical employers valued **HEALTH RISK REDUCTION** the most.
- Retail employers valued **HEALTH RISK REDUCTION** more than any other industry.
- Manufacturers and financial/insurance employers valued **HEALTH CARE COST SAVINGS** more than health risk reduction.
- Health care employers placed more importance on **DAILY HEALTH DECISIONS** than any other industry.
- Financial/insurance employers placed more importance on **PRODUCTIVITY** than any other industry.
- Manufacturing companies valued **DAYS ABSENT** more often than others.

Metrics tracked to demonstrate value

Having identified key reasons for offering health & wellness, the research study examined what metrics employers tracked to demonstrate the value of the programs.

INSIGHT #2:

Overall, less than half (42%) of employers report they are able to demonstrate the value of health & wellness to their organization.[1]

Respondents said they track 6–7 metrics on average. Some of these metrics help employers track the operational performance of their program and others help them track outcomes.

Based on the study, more than half of employers track the following metrics to demonstrate health & wellness program value (shown in order of most to least tracked):

- Health & wellness program engagement (defined as participation)
- Health care costs
- Days absent
- Wellness program satisfaction
- Health risk
- Job satisfaction
- Safety

Researchers found that one key metric was missing from this list: productivity. Based on the study findings, we know that the top three reasons employers offer health & wellness programs are health risk reduction, health care cost reduction and productivity improvements. However, only 34% of employers track productivity. Thus, productivity is severely under-tracked, unless employers are leveraging days absent as a proxy for this metric.

Only **34%** of employers track productivity.

This list also demonstrates that employers are slightly more likely to track an operational metric, health & wellness program engagement (e.g., participation), than health care costs, an outcome metric. Although participation rates are a key indicator of program interest among employees, outcome metrics like health risk reduction and health care cost reduction ultimately tell employers whether programs work.

How do job titles factor in the study findings? While not significant, **managers/directors** reported tracking **health care costs and days absent slightly** more often than senior leadership.

6+ years

Employers with **mature programs** (6+ years) are significantly more likely to track **safety and employee morale**. This is consistent with earlier findings showing that employers with mature programs are starting to build a complete value of investment story.

1. Percentage who strongly agree with the statement.

Measurement confidence

The research study also examined how easily employers were able to track certain value metrics.

INSIGHT #3:

Only a third of the employers say they have the metrics they need to justify their investment in a health & wellness program.[1]

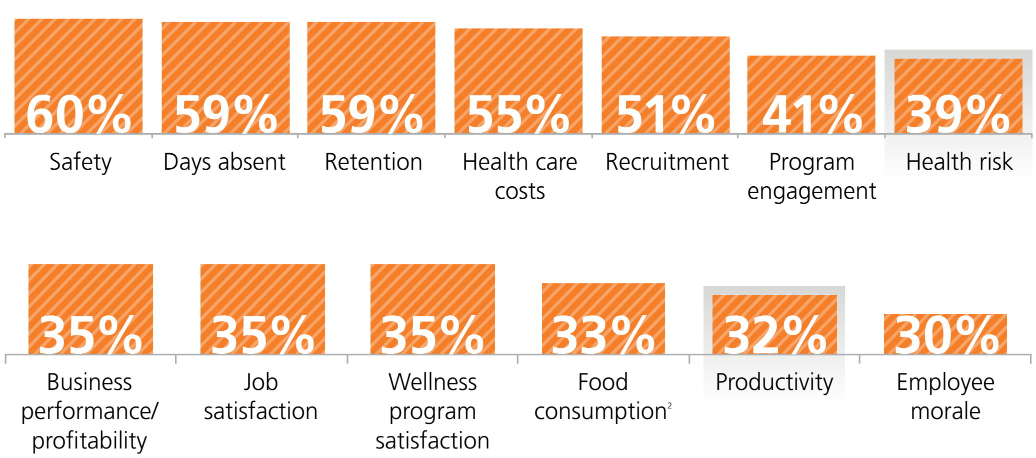
The easiest metrics to track? Safety, days absent, retention and health care costs. This is not surprising because these can be evaluated within the HR function.

The hardest metrics to track according to employers? Health risk, business performance/profitability, satisfaction, food consumption, productivity and employee morale. Some of these metrics — like business performance, food consumption and productivity — can reside outside of Human Resources in other departments, which may be why they are difficult for HR professionals to track.

Overall, getting the metrics is only part of the story. Employers also need to make the connection between these outputs and the programs themselves, which is challenging without training in research methodology and analytics.

Additional research is needed to determine if employers struggle more with accessing the metrics themselves or connecting the dots between the health & wellness program and the dependent variables.

PERCENTAGE REPORTING "EASY TO TRACK" (OF THOSE WHO TRACK THESE METRICS):



Only **39%** of respondents find it easy to track health risk and **32%** find it easy to track productivity.

1. Percentage who strongly agree with the statement.
2. Caution: Small base sample size.

The opportunity ahead

The research revealed a core set of reasons that influence an employer's decision to offer health & wellness programs. As employers start these programs, they may be focused on realizing health care savings. But as their program evolves, they place priorities on other ways of valuing their investment. This progression indicates that an employer doesn't have to show value in all areas at once; the value story can evolve over time.

Although employers report being relatively confident in their ability to track health care costs and associated savings, they are less confident in their ability to track other emerging metrics.

This confidence gap reveals several opportunities and action steps, as shown in the box below.

CALL-TO-ACTION:

As an employer, you can work with your health & wellness vendor partners to:

1. Clearly craft the reasons why you are offering health & wellness to your employees.
2. Identify the metrics you need to support your health & wellness rationale:
   - Go beyond ROI to build a complete VOI story.
3. Map out the source of each of the metrics and how you can access those metrics frequently and consistently, such as using:
   - Health plan data
   - Vendor data
   - In-house data (HR vs. a business partner outside of HR)
4. Measure the impact of health & wellness programs on your key metrics.
5. Aggregate findings into a meaningful dashboard based on your priorities.

By doing so, your program's complete VOI story can finally be told.

Contributors

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At NBGH, Marlo is responsible for overseeing the collection of health care data and best practices information as it relates to the health care industry. Specifically, she is responsible for implementation of benchmarking research and data collection surveys, oversight of the Business Group's premier benchmarking products, EMPAQ® and WISCORE™, the Wellness Impact Scorecard as well as development of new benchmarking products. Marlo holds a Bachelor of Arts degree in economics from Georgetown University and a Masters of Public Policy with a focus in health services research from the Georgetown Public Policy Institute.

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Seth Serxner brings the breadth of his experience in academia, industry and consulting to his role as chief health officer and senior vice president of population health for Optum Prevention Solutions.

Seth earned a Master of Public Health from the University of California, Los Angeles, and a doctorate from the University of California, Irvine, where his research focused on health promotion and disease prevention in social ecology.

He is a board member, executive committee member and vice president of the C. Everett Koop Health Project. He also sits on the editorial review board of the *American Journal of Health Promotion* and edits and is a reviewer for peer review journals such as the *Journal of Occupational and Environmental Medicine and Health Affairs*.

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This survey was done in partnership with the National Business Group on Health.

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