



IMA INSIGHTS

THE ORGANIZATIONAL BENEFITS OF EMPLOYEE WELLNESS

To our Healthcare Clients and Friends:

Even the best and most innovative employers are experiencing the impact of worker well-being on their organizations' performance. The bad news is that many of these employers are unaware of the extent to which less-than-optimal employee health and well-being is impacting workforce capacity and performance. The good news is that there is an increasing body of research and practice that can help employers mitigate this often unseen issue and create significant opportunities for improved workforce attraction, retention, and performance! This edition of the *IMA Insights* focuses on how hospital leaders can improve physical and financial employee wellness in the workplace.

THE PROBLEM OF CHRONIC DISEASE

According to the World Economic Council (WEC), 60 percent of deaths in 2005 could be attributed to chronic disease (cardiovascular disease, cancer, chronic respiratory diseases, and diabetes). The largest attributing factors to the chronic diseases include smoking, physical activity, and diet. The costs of these diseases are staggering. For example, if there were a 10 percent reduction in mortality from heart disease and cancer, it could save the US \$10.4 trillion annually. Further, the WEC projects that over 80 percent of the US population will be either considered overweight or obese by the year 2015.

THE PROBLEMS OF FINANCIAL DISTRESS AND DISSATISFACTION

As hard as it may be to fathom, a 2004 study found that 67% of U.S. Workers are dealing with personal financial issues. In another study, it was found that these issues can exist in all segments of any workforce, regardless of income, education, or position level.³ Couple these facts with our healthcare workforce reality:

- The healthcare workforce is aging and demand for nursing and allied professionals continue to exceed the supply – and will for the foreseeable future.
- Due to the shortages of quality personnel, the stress on our current workforce is increasing.
- With these shortages of personnel, hospitals cannot continue to pay spiraling market prices for nursing and allied professionals because of declining reimbursement.
- Lastly, those attributes that make hospital professionals great caregivers also tend to make them less apt to focus on matters of personal financial management.

THE RETURN ON INVESTMENT

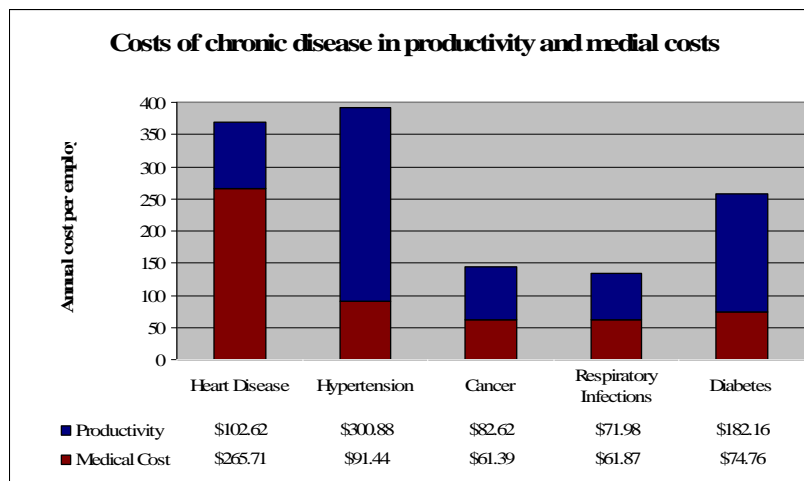
Other than the societal responsibility hospitals share in improving employee health and well-being, there are other significant reasons why hospitals should employ strategies to implement physical and financial wellness programs for their employees:

- Improve productivity, including reductions in healthcare and workers compensation claims, absenteeism, and presenteeism.
- Reduce employer paid healthcare and re-insurances premiums.

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- Increase employee, physician, and patient satisfaction.
- Increase staff retention and productivity.

The following two charts reflect the annual cost per employee of chronic disease in productivity and medical costs.



As the following chart reflects, five percent of employees typically represent 55 percent of medical costs to employers.

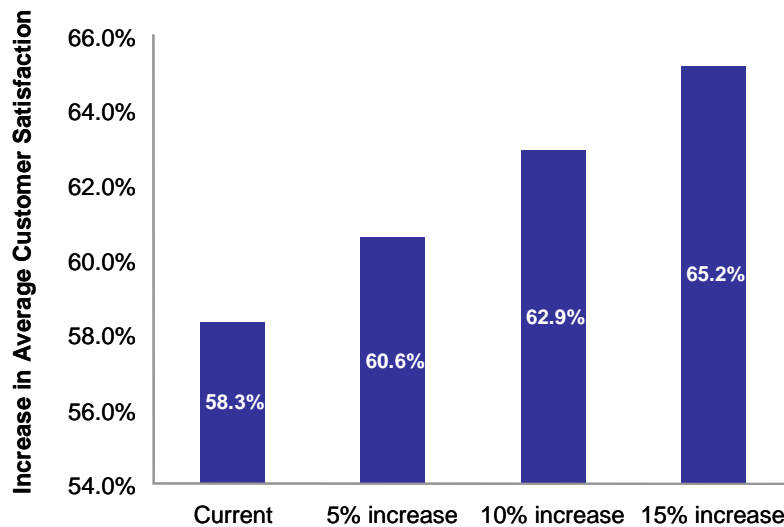
	Well Members	Low Risk	Moderate Risk	High Risk	Complex & Intensive Care
% of employees	50%	25%	20%	4%	1%
% of healthcare costs	10%	10%	25%	30%	25%

Source: "Seven Ways to Demonstrate ROI: A Sherpa Model", by Michael Samuelson, MA, Vice President, Health & Wellness Services, Blue Cross and Blue Shield of Rhode Island, Achieving Return on Investment for Wellness Conference, San Diego, October 23-25, 2006.

Further, a recent Towers Perrin case study found that a ten percentage point improvement on employee engagement was linked to a 4.6 percentage point improvement on customer satisfaction and revenue growth and labor cost improvements equal to a 2.8 percent impact on controllable margin.

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Impact on Average Customer Satisfaction



What all this shows is that offering workplace physical and financial wellness initiatives and incentives is more than just “the right thing to do.” Rather, there is a profound business case. As workforce capacity and engagement increase, a bottoms-up cultural change takes place in your organization. These changes drive improvements in customer satisfaction, productivity, absenteeism, and presenteeism – all of which drive improvements in profitability.

Increase in Employee Engagement

THE COURSE OF CHANGE

As a major employer in the community, you can have a tremendous impact on physical and financial wellness, especially with the resources so readily available. Here are a few suggestions on how you can engage your employees:

1. Define the plan - determine if you have the internal resource availability and knowledge to develop a formal program for both physical and financial wellness. Many organizations, due to confidentiality, legal, and other reasons, choose to engage outside partners to manage these processes.
2. Communication - once you have developed the plan, communicate the plan to all employees...using multiple media and approaches.
3. Lead by example - begin wellness initiatives at the top (walk the walk). Allow yourselves the opportunity to go through a health risk assessment and a financial assessment. If you can, communicate your results and your action steps to staff.
4. Develop incentives for staff participation - here are a couple of financial incentives you can provide staff that are low cost and optimally have a return on investment:
 - a. Pay employees to take a risk assessment.
 - b. Lower employee contributions to the medical plan for those who agree to engage in a program of wellness.
5. Offer personal risk assessment counseling - offer resources that can meet one-on-one with each employee to understand both their physical and financial wellness risks and opportunities.
6. Eliminate trans-fat from your dietary offerings - if you haven't been required by legislative statute, you should eliminate trans-fatty oils from the employee cafeteria and patient meals.
7. Eliminate smoking areas for employees - as hospitals have always been non-smoking, there are now numerous hospitals that bar smoking on the entire campus.
8. Provide proper monitoring programs - probably the hardest part of the plan, the ongoing monitoring is critical. Hospitals can use their own or build wellness centers, but most employees feel ashamed



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to use them. Typically, the users of wellness centers are those least in need. There are many external and online tools and options that are available today.

9. Arm local businesses with their own physical wellness program - there are options where this can even generate revenue and/or deepen relationships with the communities you serve.

LEGAL ISSUES

When thinking about an employer-based physical wellness program, one must take into account certain requirements under ERISA, the Internal Revenue Code (Code), and the Public Health Service Act (PHSA). All three laws were amended by the Health Insurance Portability and Accountability Act of 1996 (HIPAA) to provide for improved portability and continuity of health coverage. HIPAA also added Code Section 9802, ERISA section 702, and PHSA section 2702, each of which prohibits discrimination in health coverage based on health status.

To be a bona fide wellness program, the plan must satisfy the following requirements:

- An individual's total reward must be limited. A limit of 10 to 20 percent of the total cost of employee-only coverage may be appropriate, according to the DOL.
- The program must be reasonably designed to promote good health or prevent disease.
- The reward must be available to all similarly situated individuals. The program must allow any individual for whom it is unreasonably difficult because of a medical condition to meet the wellness program standard (or for whom it is medically inadvisable to attempt to meet the wellness program standard) an opportunity to satisfy a reasonable alternative standard.

We are pleased to provide this information to you – and hope it has piqued your interest. If you would like to dig a bit deeper or need assistance with putting together a comprehensive program for your organization, please do not hesitate to contact Vince Costantino at (856) 718-1256 or Rob Sutton toll free at (866) 840-0151.

Yours very truly,

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