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## *Health and Productivity – Drives Organizational Effectiveness*

**2007/2008**

**Staying@Work™ Report**

October 25, 2007

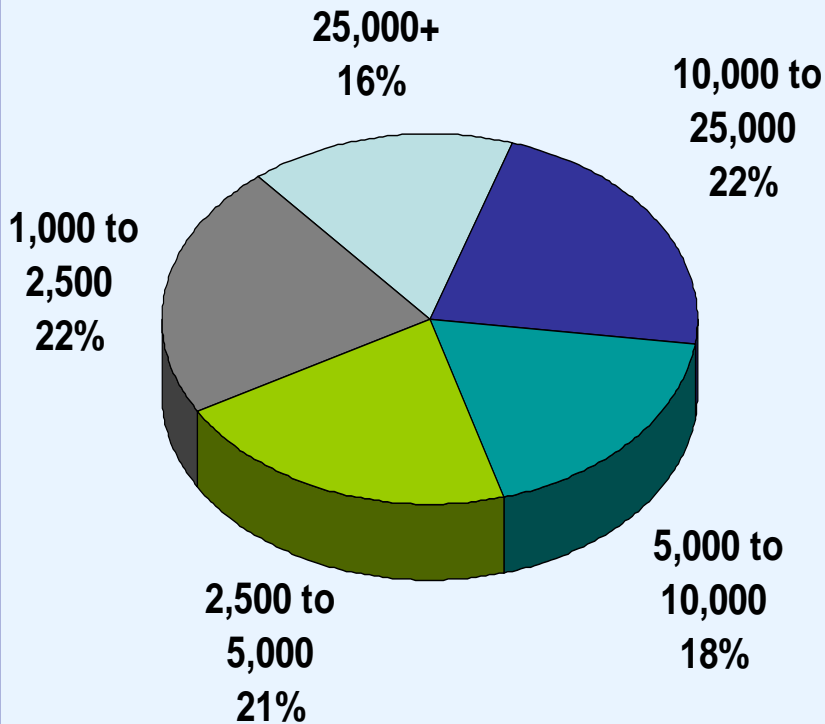
# Contents

- About the Study
- Study Methodology
  - H&P Programs and Shareholder Returns
- Key Findings
- Key Trends
- Designing Effective H&P Framework – Tactics  
*Engagement, Programs and Measurement*
- Conclusion

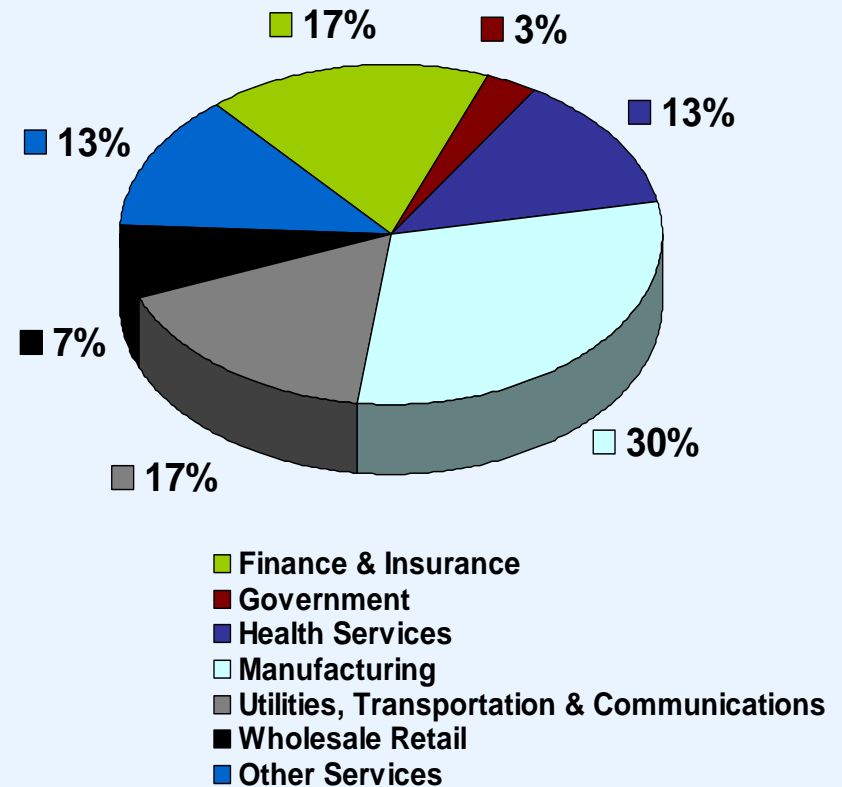
# About the 2007/2008 Study

- Completed in July 2007
- 355 human resources and health benefits manager respondents
- 6.6 million workers

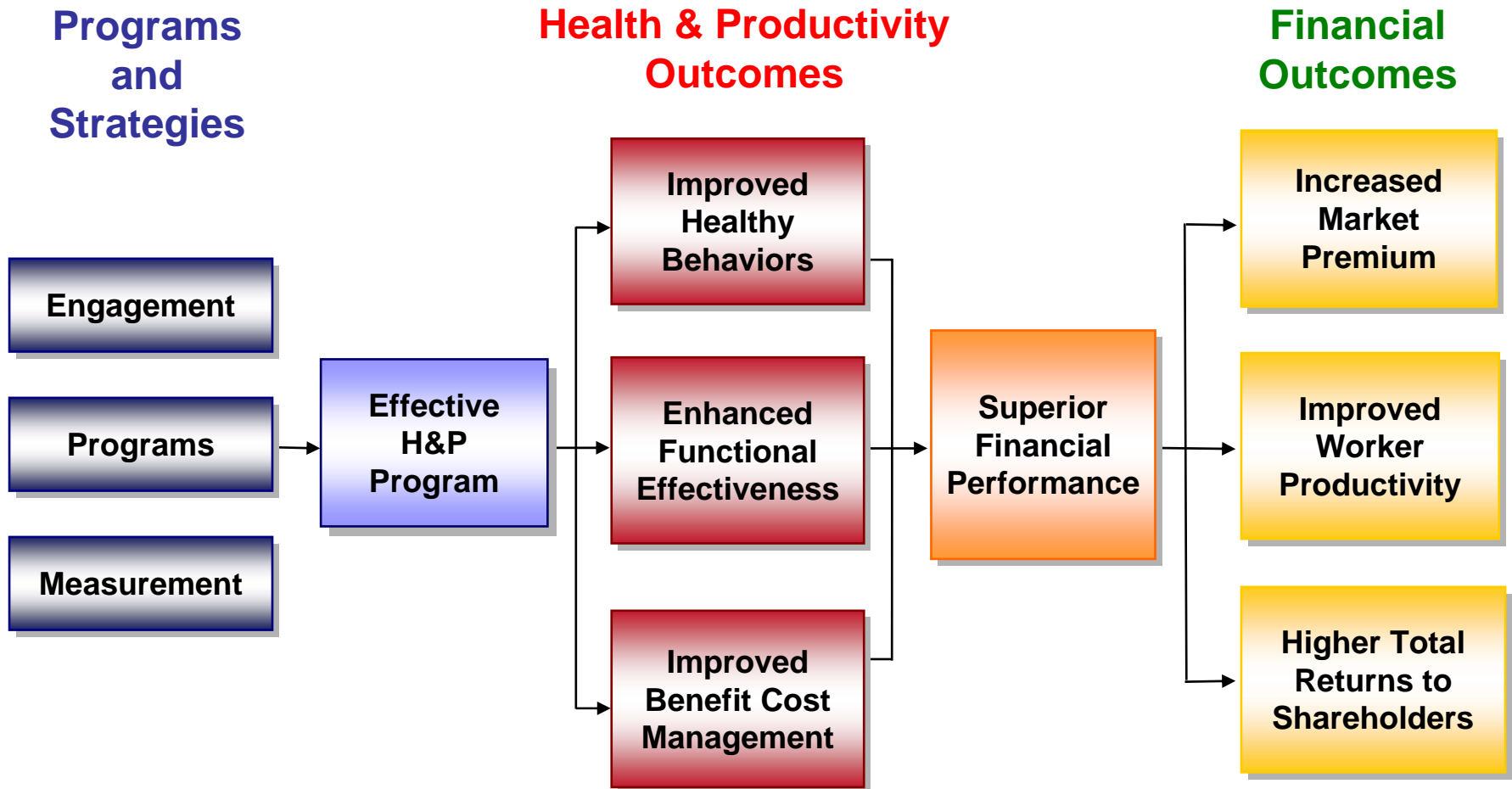
## Number of Full-Time Employees



## Full-Time Employees by Industry Sectors



# Effective H&P Programs Drive Shareholder Value

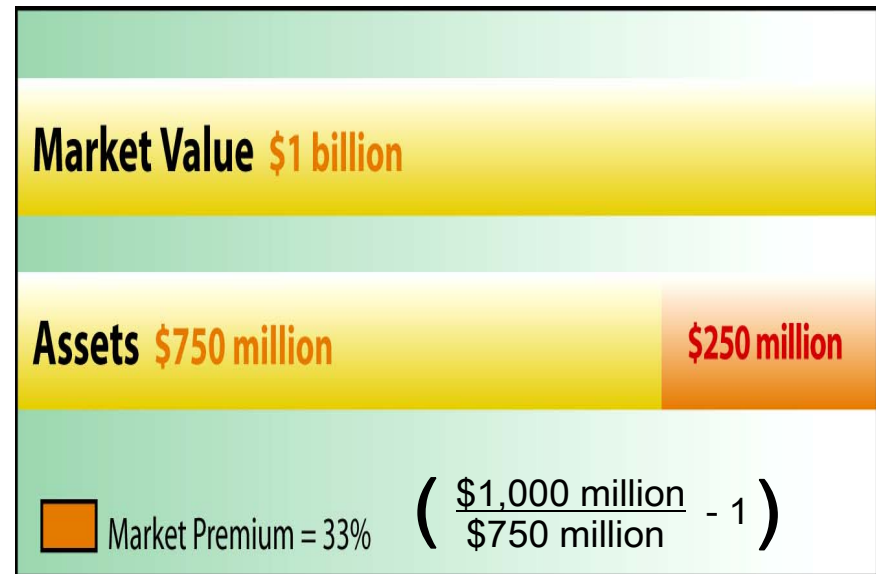


Source: Adapted from Watson Wyatt's WorkUSA® 2006/2007: Debunking the Myths of Employee Engagement.

# Health and Productivity Effectiveness

Study uses three metrics: *total return to shareholders (TRS)*, *market premium* and a *productivity proxy*: revenue/ employee

- **TRS** is the change in stock price plus dividends (2004-2006 ÷ 2004)
- **Market premium** is expressed as a percentage of assets and measures the extent the market value of a company exceeds the cost of its assets
- **Productivity** proxy is revenue per employee with adjustments



# Study Methodology:

## *Defining H&P Effectiveness*

Companies rate Effectiveness on 10 equally weighted questions:

- Integrate delivery of benefits
- Involve senior and middle management to support programs
- Engage employees in safety and improved workplace performance
- Provide incentives to encourage healthier employee lifestyle
- Provide resources or programs for employees to improve health
- Reduce lifestyle-related health risks in employee populations
- Improve overall health of employees
- Reduce impact of chronic disease in workforce
- Manage impact of all lost time
- Improve overall employee performance at work (e.g., presenteeism)

## Financial Impact of Health and Productivity Effectiveness

Firms with highly effective health and productivity programs are associated with:

- **16.1% increase** in market premium
- Nearly **57% higher** total returns to shareholders when compared to less effective peers over a three year period
- Have over **20% more** revenue per employee

**Cost  
Impact  
of Health and  
Productivity  
Effectiveness**

Highly effective health and productivity organizations have lower costs compared to last year than low effectiveness organizations by the following ratio of high vs. low:

- 5 times lower sick leave
- 4.5 times lower LTD costs
- 4 times lower STD
- 3.5 time lower medical costs

# Other Key Findings

- Stress affects business results, but little action is being taken
- Accountability gap continues:
  - **79%** believe **employees** should be held accountable for their **health** but **4%** actually are
  - **68%** believe **managers** should be held accountable for **workforce productivity**, but **13%** actually are
- Barriers to successful H&P programming:
  - 45% lack of data
  - 41% organizational structure

# Trends and Tactics to Support H&P Effectiveness

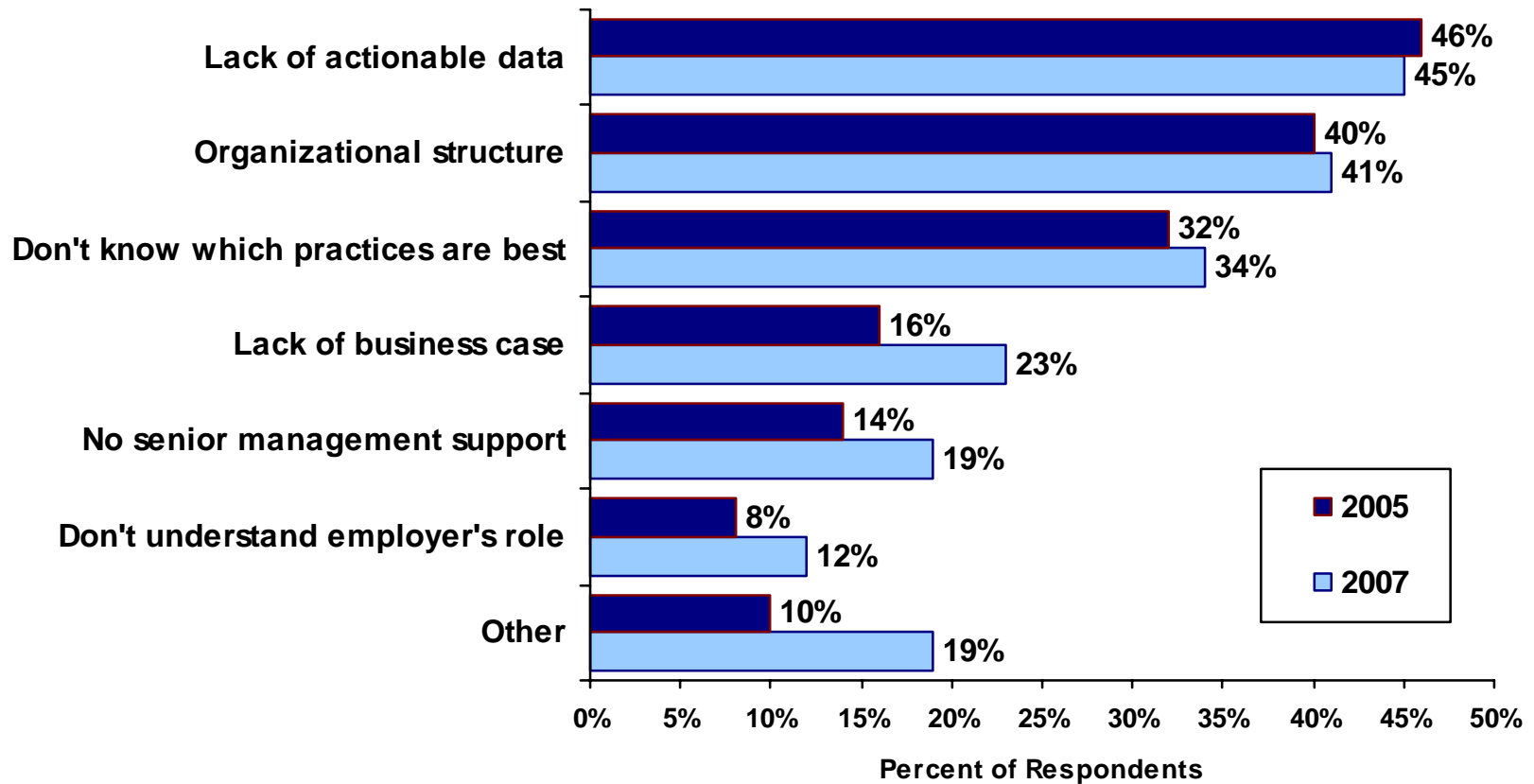
- Q. Wow, that is really interesting, but what tactics, processes and programs really impact shareholder value?
- A. We will get to that in a moment... let's start with some updated **trends**. We have some good news and some... opportunities!

# H&P Program Costs as a Percentage of Payroll Remain Steady

	2005	2007
Workers' Compensation	1.2%	1.0%
Sick Leave (not including paid-time-off)	1.9%	1.0%
Short-term Disability	1.0%	1.0%
Long-term Disability	0.5%	0.5%
Medical Coverage	10.0%	10.9%
Overtime	3.4%	3.3%
Workstation Modification/Job Accommodation	1.0%	1.0%
Replacement Workers	2.0%	2.0%
Health Improvement Programs	1.0%	0.5%
<b>Total Percentage</b>	<b>22.0%</b>	<b>21.2%</b>

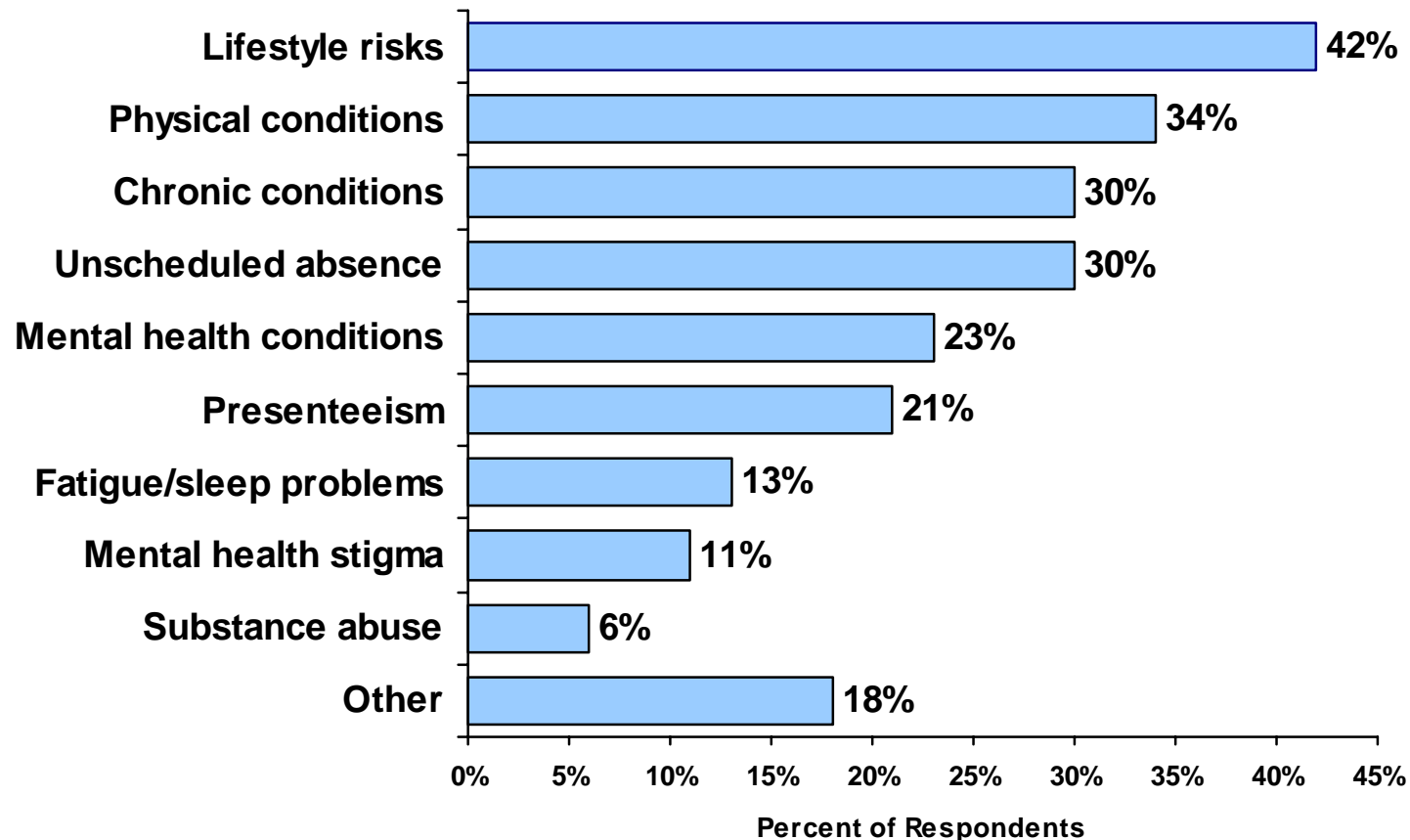
# Barriers to Effectively Managing H&P

- Increasing difficulty in making the business case and obtaining senior management support

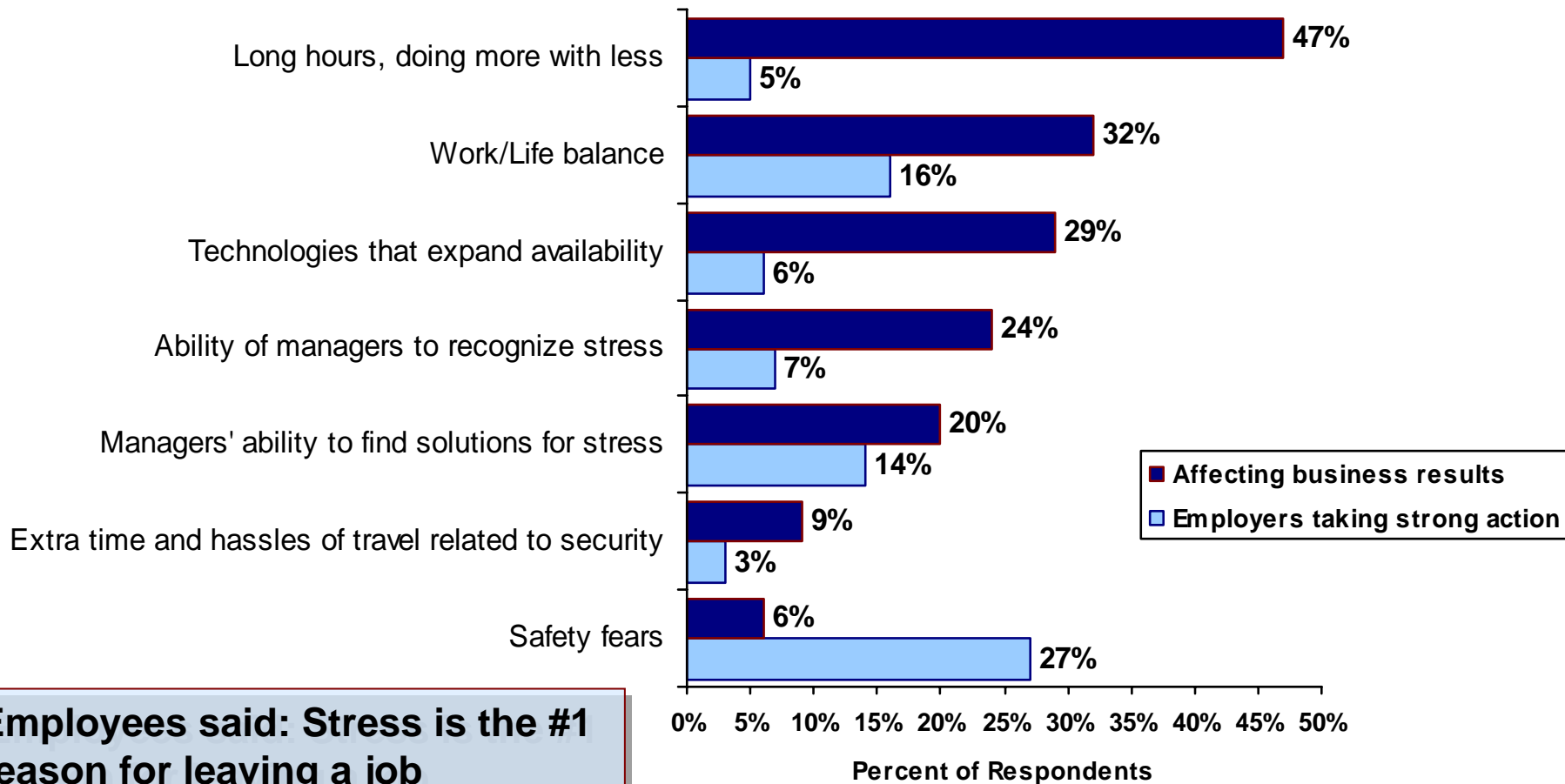


# Preventable Factors Top List of Health Issues Affecting Business Performance

- Many organizations may be under estimating the impact of well researched high cost secondary costs drivers; mental health, presenteeism, etc.



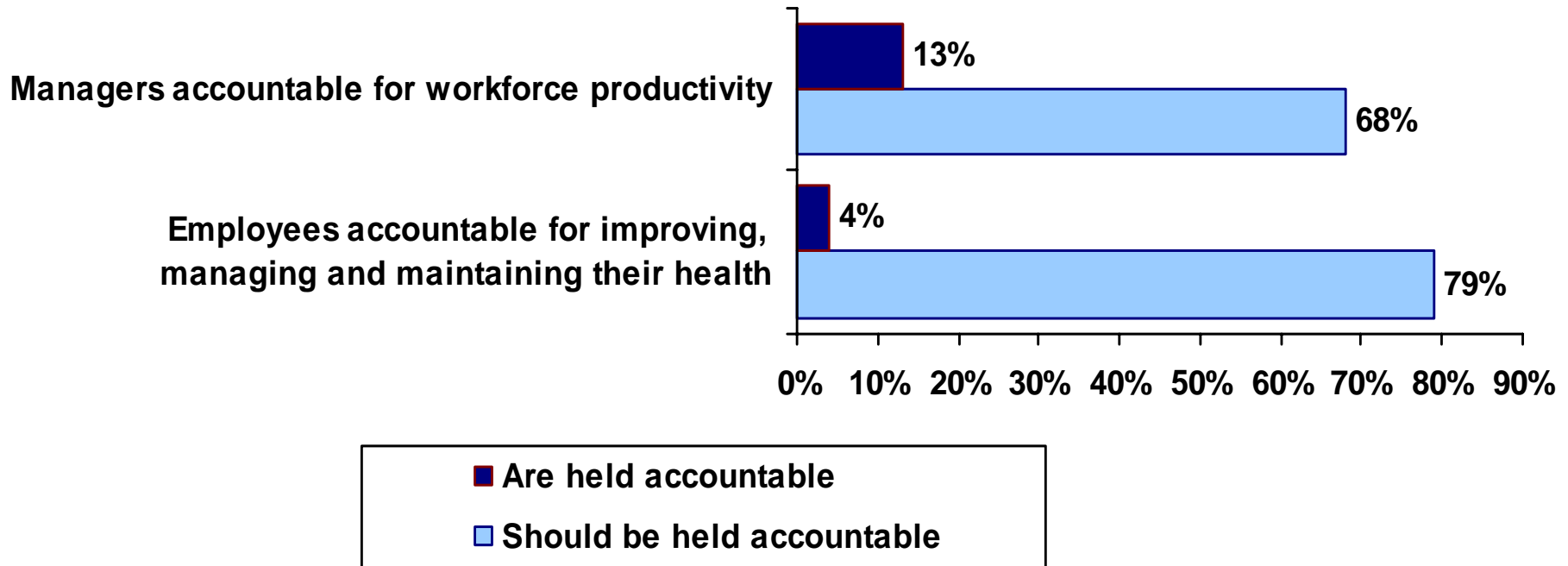
# Stress is Recognized as Affecting Business Results... But Little Action Taken



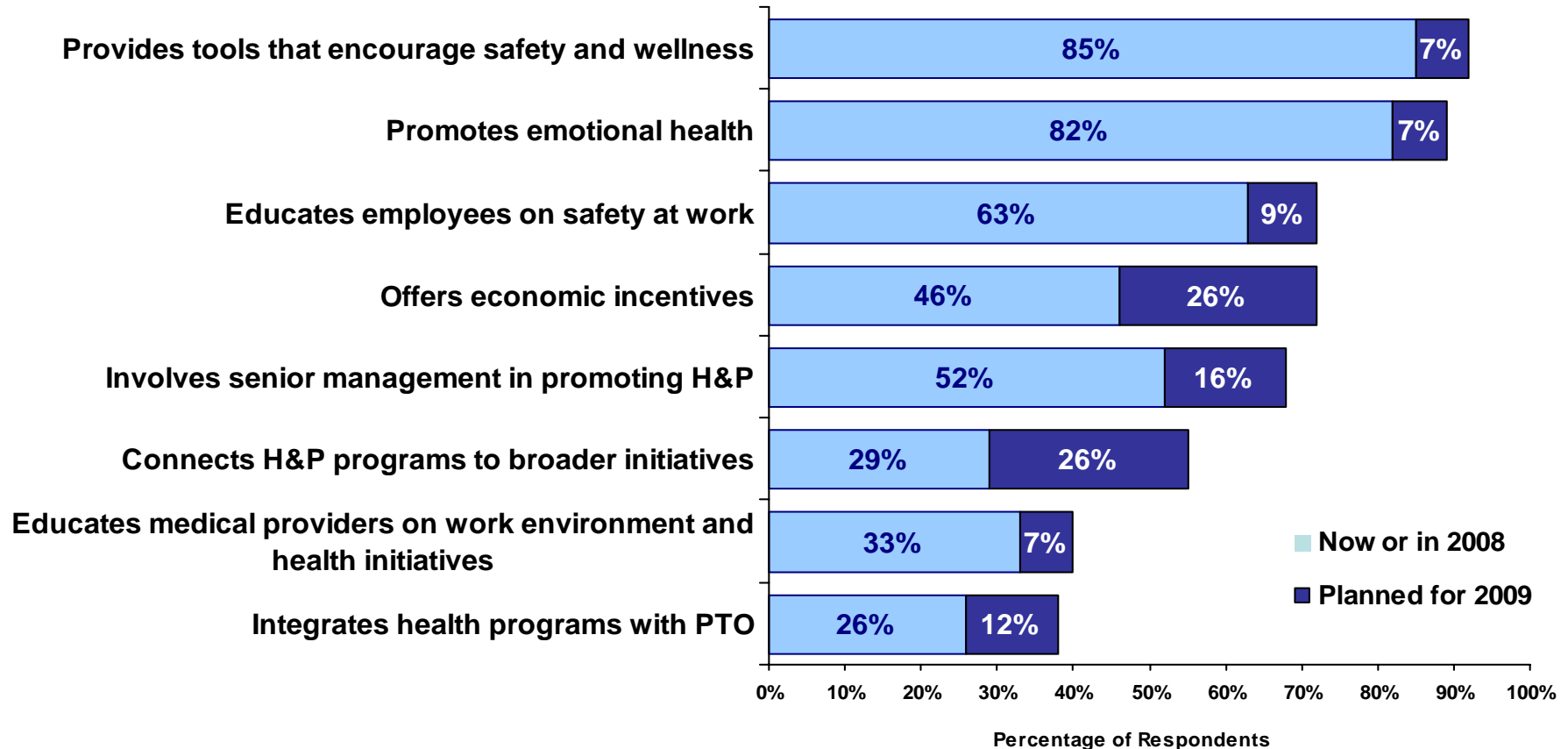
**Employees said: Stress is the #1 reason for leaving a job**

Source: WW 2007/2008 Strategic Rewards report, *Playing to Win in a Global Economy*

# The Accountability Gap Continues...

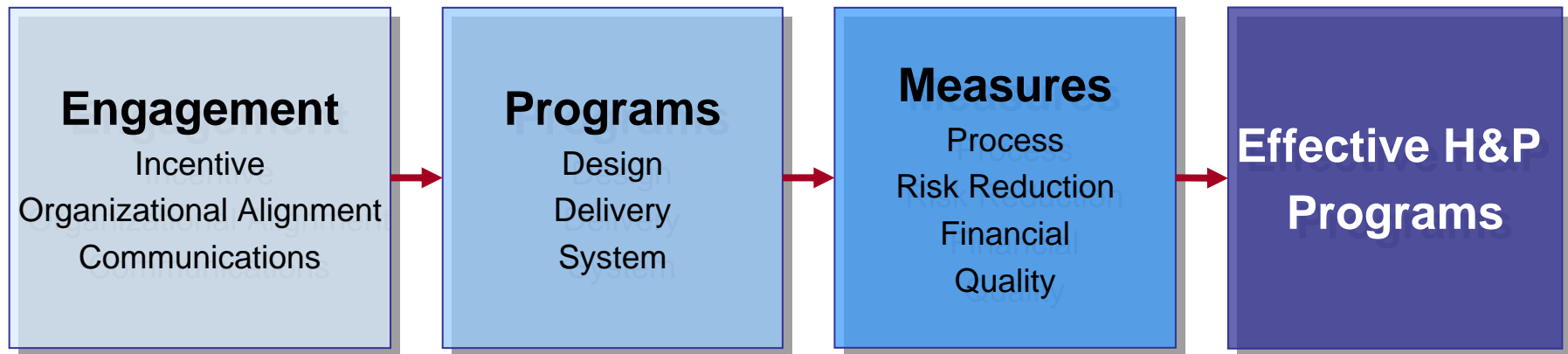


# Employers Offer Wide Range of Activities to Involve and Engage Employees



# So, How Does Designing an Effective H&P Program Work?

- Questions were organized by the H&P Framework



- Scoring methodology helped categorize the 55 questions as low, medium and high effectiveness
- A **sample** of results follows. The full report will be available in the next 2 to 3 weeks

# H&P Dimensions Correlate to Market Value

Category	Estimated Change in Market Value
<b>Engagement:</b>	
Incentives	1.1%
Organizational alignment	1.5%
Communication	1.3%
<b>Programs:</b>	
Design	2.6%
Delivery	1.2%
Systems technology	0.7%
<b>Measurement:</b>	
Processes	2.3%
Risk reduction	1.5%
Financial	1.5%
Quality	2.3%
<b>Total</b>	<b>16.1%</b>

Source: "Building an Effective Health & Productivity Framework: Methodology Behind the 2007/2008 Staying@Work™ Report for a deeper discussion of the statistical analysis

# Engagement:

## *Organizational Alignment*

- H&P programs connect to broader organizational goals and planning for overall business results

	Low Effectiveness	Medium Effectiveness	High Effectiveness	Ratio of High to Low
<b>Connect H&amp;P programs or goals to broader organizational initiatives</b>	7.5%	25.0%	54.5%	7.3
<b>Use H&amp;P planning as a tactic for improving business results</b>	13.5%	37.5%	64.8%	4.8
<b>Facilitate involvement and promotion from senior management on H&amp;P mission and programs</b>	29.0%	55.0%	70.3%	2.4
<b>Promote a healthy work environment</b>	45.3%	62.5%	78.4%	1.7

# Programs:

## Design

- Effective H&P programs are designed to meet each organization's individual needs from stress management to health coaching and absence management programs

	Low Effectiveness	Medium Effectiveness	High Effectiveness	Ratio of High to Low
Address stress of technologies that expand workday	1.0%	1.80%	12.6%	13.2
Address ability of managers to suggest solutions to reduce stress	5.7%	14.9%	22.3%	3.9
Offer programs that educate the workforce/management on stigma associated with behavioral health issues	11.5%	24.8%	35.5%	3.1
Use health coaching to help people make better decisions	16.0%	15.4%	42.1%	2.6
Develop programs to reduce absence for specific workgroups based on employee feedback	10.5%	16.1%	27.3%	2.6
Use health coaching for lifestyle behavioral change	17.0%	23.1%	42.6%	2.5
Target the top preventable causes of absence-causing illnesses at your organization	32.1%	41.1%	66.1%	2.1
Provide lifestyle risk reduction programs that have at least 50% participation	34.6%	49.6%	65.8%	1.9

# Programs: *Delivery*

- Integrate strategy with data and the use of onsite health services

	Low Effectiveness	Medium Effectiveness	High Effectiveness	Ratio of High to Low
<b>Integrate health and time-off programs</b>	7.7%	29.1%	42.9%	5.6
<b>Ensure internal collaboration among those responsible for risk reduction, health management, clinics, disability and health plans</b>	29.2%	46.4%	74.5%	2.5
<b>Ensure that onsite clinics holistically manage H&amp;P</b>	14.3%	24.1%	29.6%	2.1
<b>Operate an onsite health center</b>	25.5%	32.7%	40.7%	1.6

# Measures: *Process*

- Process measures impact an end to end view of absence, participation employee understanding and vendor performance

	Low Effectiveness	Medium Effectiveness	High Effectiveness	Ratio of High to Low
Regularly measure incidental absences	6.0%	13.6%	29.0%	4.8
Regularly measure employee understanding of the health plan	12.0%	26.2%	52.3%	4.4
Regularly measure employee participation in lifestyle programs	20.0%	49.5%	73.8%	3.7
Formally monitor vendor performance guarantees	37.3%	51.5%	60.7%	1.6

# Measures:

## *Reduce Risks*

	Low Effectiveness	Medium Effectiveness	High Effectiveness	Ratio of High to Low
Regularly measure employee behavioral change or risk reduction	9.0%	20.4%	49.5%	5.5
Regularly measure health improvement outcomes	10.0%	14.6%	51.4%	5.1
Integrate disability data with health care data	16.7%	35.0%	41.1%	2.5
Integrate lifestyle-related risk reduction data with health care data	22.7%	32.5%	54.4%	2.4
Regularly measure disease management data	37.0%	62.1%	75.7%	2
Integrate workers' compensation data with health care data	19.7%	20.0%	30.0%	1.5
Integrate preventive care data with health care data	59.1%	70.0%	74.4%	1.3
Integrate disease management data with health care data	77.3%	80.0%	82.2%	1.1
Integrate absence management data with health care data	10.6%	12.5%	11.1%	1

# Measures: *Quality*

- Satisfaction and quality indicators engender strong employee engagement

	Low Effectiveness	Medium Effectiveness	High Effectiveness	Ratio of High to Low
Annually measure member/employee satisfaction with H&P programs	13.2%	29.5%	58.0%	4.4
Actively market quality tools for provider selection and evaluation	11.8%	16.5%	37.4%	3.2
Use health coaching for chronic disease	26.0%	39.4%	57.4%	2.2
Use health coaching for triage care	13.0%	12.6%	26.2%	2.0

# Simple Steps to Improve Your Organization's H&P Effectiveness

- **Integrate** delivery of health and time-off programs
- Provide employees **tools** to better manage health
- Proactively **address causes** of lost productivity
- Develop strong, integrated, customer-focused **health advocacy** model
- Declare **health and safety non-negotiable** company values and back up with senior management support
- Create **incentives** that inspire member participation in healthy behaviors and return to optimal function
- Make **quality care** a company imperative
- Use regular **customer feedback** to improve benefit programs
- Develop core group of **measures** and create **accountability** for results

# Summary

- Overall H&P **costs are flat**, there have been some changes in the drivers; sick leave and medical costs
- Organizations with an effective H&P program achieve success by using multiple best practices and taking a holistic approach to addressing **employee** and **organizational** problems that deliver **increased shareholder value and improved productivity**
- Engagement, Programs and Measures, the three pillars of an effective H&P program, help create a **framework for action**
- While barriers to effectiveness still exist, great promise is seen through integration, employee participation and the link to **retention, employee productivity and shareholder value**