

## **Healthy Workforce Program: How Workers' Comp and Wellness Programs Go Together**

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### **Introduction**

Most successful businesses are beginning to understand that the reactive approach to employee health – providing Group Health insurance to cover employees when they get sick – is far less effective than one that combines preventive efforts with transparent/reactive medical services. Adding a traditional “Wellness” program to group health benefits used to be the first step for employers who want to “proactively” reign in their increasing group healthcare costs. This approach is slow, sometimes ineffective, and difficult to measure success. More importantly, this philosophy is becoming obsolete.

By adding new, non-traditional “Wellness” programs to their Healthy Workforce strategy, employers can take their program to a whole new level. Employers will look to a new generation of “*Comprehensive Healthy Workforce Programs*” to address not only nutrition, cessation education, exercise and disease management, but also disease prevention, functional employment testing, job analysis, ergonomic assessment, and injury prevention. By looking at the *total health* of our workforce employers can impact *all healthcare costs including*:

- Group Health insurance premiums
- Workers' Compensation insurance premiums and claims
- Absenteeism
- Presenteeism (workers who come to work but underperform due to illness or stress)
- Morale
- Worker Satisfaction
- Recruitment and Retention
- Cost of rehiring and retraining workers to replace hires that cannot perform the essential functions of a job and therefore become injured and make work comp claims

Many of these programs will be introduced within the context of the Workers' Compensation and Safety rather than the traditional benefits market. Instead of being an outsider to the process - Workers' Compensation philosophies will be the foundation of implementation and the key mechanism to measure the success of the program and an employer's return on investment.

With regard to “Physical Interventions,” the next generation of Comprehensive Wellness Programs will continue to utilize benchmark programs like biometrics and health risk assessments – but will also analyze additional relevant co-morbidities and other useful data. Most importantly, by analyzing this “expanded” data set, employers can establish new benchmarks that will help them tailor programs *specific to their workforce needs* – programs including; hiring, ergonomics, physical development, provider choice and analysis, functional testing, incentive management, and much, much more. All of these formerly disparate efforts will revolve around the nucleus concept of Comprehensive Healthy Workforce Programs. Additionally, Comprehensive Healthy Workforce Programs provide employers more direct opportunities to educate employees about how their lifestyle choices impact aggregate healthcare costs.

The world of Employer Wellness is about to evolve. Those early adopters on the front end of this shift will win in the open market by doing what their competitors fail to do – EFFECTIVELY manage the health and productivity of their workforce and truly differentiate their workforce, their culture, and their success.

## **I. Understanding the Problem: The Startling Statistics**

To determine a company’s total healthcare cost, they must factor in both direct and indirect healthcare costs. Direct costs generally include the cost of healthcare coverage for both Group Health and Workers’ Compensation segments, including claims costs and legal fees where appropriate along with the cost of the company’s wellness plan. Indirect costs generally include those related to loss of productivity and declining corporate culture. While these indirect costs have been historically difficult to measure, the implementation of Employer Driven Healthcare and ACOs (Accountable Care Organizations) will make it easier. Overall, apathetic employers that fail to aggressively address the health of their workforce face staggering costs and a frightening future on the horizon for healthcare spending.

### General Workforce Health Costs

The Centers for Disease Control (CDC) estimates, “if tobacco use, poor diet and physical inactivity were eliminated, 80 percent of heart disease and stroke, 80 percent of Type 2 diabetes and 40 percent of cancer would be prevented.”<sup>1</sup> An achievement of that magnitude, and for just those issues alone, would result in over a half a trillion dollars in savings each year. Those savings would go primarily in the pockets of employers since employers cover nearly 62 percent of the population not eligible for Medicare.<sup>2</sup>

General productivity losses related to personal and family health problems cost U.S. employers \$1,685 per employee per year, or \$225.8 billion annually.<sup>3</sup>

### Workforce Smoking Costs

The CDC estimates that smoking alone costs employers a least \$96 billion per year in direct medical costs.<sup>4</sup> Workers’ Compensation healthcare costs related to employee smokers cost employers \$2,189 annually per employee compared to \$176 for non-smoking employees.<sup>5</sup> Much of this increased cost is due to the fact that smokers visit healthcare professionals up to six times more than non-smokers,<sup>6</sup> are admitted to the hospital almost twice as often as non-smokers,<sup>7</sup> and average 1.4 additional days in the hospital per admission.<sup>8</sup>

Declines in productivity related to smoking cost employers almost 97 billion per year,<sup>9</sup> and smokers average almost twice the absences each year due to illness compared to non-smokers (6.2 vs. 3.9).<sup>10</sup> These hidden and exposed costs simply cannot be avoided in our existing business environment. Employers must address them aggressively and effectively.

### Workforce Obesity Costs

Then, there is obesity. Obesity rates in the United States since 1985 have risen at epidemic rates.<sup>11</sup> When correlated to the rise in healthcare costs as a percentage of Gross Domestic Product over this same time period, it is clear that obesity alone has had a tremendous impact on overall healthcare costs for our country.<sup>12</sup>

Obesity and related chronic diseases cost employers almost \$93 billion per year in health insurance claims.<sup>13</sup> Averaged out, the cost specifically related to obesity (including medical expenditures and absenteeism) for a company with 1,000 employees is estimated to be \$277,000 per year.<sup>14</sup>

Regarding obesity and productivity: Men with a BMI greater than 25 miss 56 percent more work days due to illness or injury than men of normal weight.<sup>15</sup> Similarly, women with a BMI greater than 30 miss 53 percent more work days due to illness or injury than women of normal weight. Furthermore, women with a BMI of 40 or more miss 141 percent more days due to injury or illness than those of normal-weight.<sup>16</sup>

Clearly, an employer's right to request that their employees become personally accountable for their lifestyle choices *can and should* be tied more directly to the level the employee shares in the cost of their healthcare insurance. This "employer-centric" approach represents our best chance to impact the *health* of this country, which is the source of our overwhelming *healthcare* costs.

## **II. Understanding the Solutions: A New Approach**

### Learning from Workers' Compensation Claims

While often forgotten, perhaps the best opportunity for an early and significant return on investment for a Comprehensive Healthy Workforce Program is not within the group health insurance spectrum, but rather, within the Workers' Compensation spectrum. Conveniently enough, the Workers' Compensation arena also allows some of the most innovative mechanisms for identifying health risk factors, implementing interventions, tracking and measuring total cost, and for success. That's because, while it's difficult to track co-morbidity data in the group health market because of privacy protections afforded by The Health Insurance Portability and Accountability Act (HIPAA), HIPAA specifically allows an exemption for Workers' Compensation related matters:

1. if the disclosure is "[a]s authorized and to the extent necessary to comply with laws relating to workers' compensation or similar programs established by law that provide benefits for work-related injuries or illness without regard to fault." 45 C.F.R. § 164.512(l).
2. if the disclosure is required by state or other law, in which case the disclosure is limited to whatever the law requires. 45 C.F.R. § 164.512(a).

3. if the disclosure is for the purpose of obtaining payment for any health care provided to an injured or ill employee. 45 C.F.R. § 164.502(a)(1)(ii).

This means employers can, should, and inevitably will demand from their providers the kind of data needed to accurately analyze the actual total cost of an injury and all the factors that impacted that cost. This also means that several organizations inside their chosen healthcare team have had access to the data they need to analyze the impact of lifestyle choices on the cost of Workers' Compensation healthcare services and cost of claims. In the new era before us, an organization's chosen healthcare team will be expected to collect, analyze, and share that data as well as use the data to improve future processes and increase the likelihood of success for everyone involved.

Perhaps one of the best descriptions of the impact an approach like this can have is in Duke University's study, "Obesity Increases Workers' Compensation Costs," published in 2007.<sup>17</sup> In Duke's study, researchers examined the records of 11,728 employees of Duke University who received health risk appraisals between 1997 and 2004, to analyze the relationship between body mass index and the rate of Workers' Compensation claims. They found that workers with a BMI over 40 had 11.65 injury claims per 100 workers, compared with 5.8 injury claims per 100 for workers within the recommended BMI range. Obese employees averaged 183.63 lost work days per 100 employees compared to just 14.19 lost work days per 100 employees of who had a BMI in the recommended range. Last but not least, the average medical claim cost per 100 employees was \$51,019 for the obese compared to \$7,503 for those employees with a BMI in the recommended range. These cost and productivity disparities between people with high vs. average BMI are unlikely to be limited to the Workers' Compensation segment, they are simply more easily benchmarked.

### **III. Understanding the Future: The Impact of New Legislation**

#### PPACA and Defining "Wellness Programs"

The Patient Protection and Affordable Care Act (PPACA) not only set the legislative stage for the importance of workplace wellness; it also sets the debate stage for our legislators regarding the absolute need to approach this problem comprehensively. PPACA provides \$200 million in grant funds to assist small employers with the implementation of wellness programs. By putting its money where its mouth is in such a large way, it is clear legislators are beginning to understand both the need for comprehensive employer wellness programming, as well as the need to incorporate occupational health issues into the equation. The preamble to the first Workplace Wellness initiative stated:

Workplace health promotion programs are more likely to be successful if occupational safety and health is considered in their design and execution. In fact, a growing body of evidence indicates that workplace-based interventions that take coordinated, planned, or integrated approaches to reducing health threats to workers both in and out of work are more effective than traditional isolated programs. Integrating or coordinating occupational safety and health with health promotion may increase program participation and effectiveness and may also benefit the broader context of work organization and environment.<sup>18</sup>

In other words, companies instituting wellness programs that incorporate Workers' Compensation strategies including job analysis, valid and legally-defensible post offer employment testing, and functional testing for return to work assessments alongside more traditional wellness services such as biometric and health risk assessments are functionally and financially more successful. Additionally, by including Workers' Compensation strategies employers can gather transparent data to tailor interventions that address their employees' specific needs and risk factors.

### PPACA and Selecting Quality Providers for Medical Home

Another interesting impact of the PPACA legislation involves the opportunity for employers to select their own group of preferred healthcare providers into a structure referred to as a "medical home." Medical Homes have been defined generally as a team based health care delivery model led by a physician, P.A., or N.P. that provides comprehensive and continuous medical care to patients with the goal of obtaining maximized health outcomes. When this concept is modified and utilized in the Employer Directed Healthcare segment, Medical Homes will be charged to develop and manage plans of care specifically based on an employee's essential job functions. These unique "Medical Home providers" will be rewarded for savings on total cost of healthcare and maintenance and improvement of function. Therefore, employers can save additional dollars by identifying quality providers who deliver successful, cost effective outcomes.

These medical provider partnerships will be an integral part of the Comprehensive Healthy Workforce Program. Because in this model providers will be part of the treatment team, and therefore aware of the employer's specific programming around health, they can consider those programs in their recommendations for return to work. Employers will no longer be limited to choosing providers based on subjective information. In a new generation of Comprehensive Healthy Workforce Programs, employers will decide (when allowed by state law), to choose providers based on a value proposition that goes beyond price, reputation, and/or percentage discount. This new value proposition will include overview of injury types, utilization, days in treatment, functional improvement, co-morbidity factors, and functional outcome. In other words, what is the true total cost to treat this patient and return the employee to work safely? What unique considerations do this particular patient present? What providers are best equipped to address those unique considerations? Finally, what proactive steps should that employer take now to mitigate future exposure to these cost drivers? In the new era of Employer Driven Healthcare – all these efforts will be housed within the context of a Comprehensive Healthy Workforce Program.

### PPACA and Wellness Incentives

While employers are beginning to see the financial and cultural benefits from incorporating effective Comprehensive Wellness Programs, it is equally clear that there is a significant legislative trend aimed at further incenting aggressive Employer strategies on health and wellness. A key provision within PPACA increases the amount an employer can incent improvements in specific health factors, as identified within their Wellness Program, from the current rate of 20 percent of the total cost of benefits to 30 percent in 2014 - and in some circumstances up to 50 percent. Other relevant legislative initiatives include *S. 803/H.R. 1897 = Healthy Workforce Act*; *H. Con. Res. 405 = Resolution Recognizes the First Full Week of April as "Workplace Wellness Week"*; *S. Res. 673 = Resolution Recognizes the Importance of Workplace Wellness as a Strategy to Help Maximize Employee's Health and Well Being*.

In addition to the physical and financial benefits of engaging in a Comprehensive Healthy Workforce Program – the bottom line is this – in the end, our competitive marketplace itself will inevitably move Comprehensive Healthy Workforce Programs from an ancillary program/benefit to a core strategic initiative for successful companies. As more companies learn they can increase their margins by controlling ALL their healthcare costs, group health, Workers' Compensation, productivity, etc., they will use their improved margin as a competitive advantage. Those aggressive early adopters will be able to reinvest those saved dollars to make similar or higher quality services or goods and sell them at the same or lower prices. They will be able to recruit and retain the most talented in their industry and they will drive economic development in their respective communities. In this way – the Wellness Evolution is destined to grow as companies that employ and manage effective Healthy Workforce Programs dominate and overwhelm those that don't.

## Endnotes

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<sup>5</sup> Tobacco Public Policy Center at Capital University Law School. Business Costs Associated with Tobacco Use. October 6, 2005. Available at <http://www.law.capital.edu/Tobacco/TobaccoInTheWorkplace/BusinessCostsFactSheet.pdf>.

<sup>6</sup> Berman K. “Firms hope smoking bans will trim health costs”. *Business Insurance.* October 12, 1987; 21 (41): 16-17.

<sup>7</sup> Halpern MT et al. “Impact of smoking status on workplace absenteeism and productivity”. *Tobacco Control* 10(3): 233-38, September 2001.

<sup>8</sup> Ibid., See footnote #2.

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- <sup>18</sup> *Solicitation Number 2011-N-13420, Comprehensive Health Programs to Address Physical Activity, Nutrition, and Tobacco Use in the Workplace.*