

# Business Insurance

## **Return on investment calculations for wellness programs remain elusive**

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As comprehensive and sometimes costly wellness programs' popularity grows in the workplace, mainly to slow the rise in health care premiums, more companies are asking just how much they are saving in the long term.

The answer isn't easy to decipher, experts say. While many methods exist to calculate the return on investment, companies shouldn't expect precise figures and the results often enough do not translate into dollar signs.

"The ROI for wellness programs is often elusive," said Dr. Ron Leopold, New York-based national medical director and vp for Metropolitan Life Insurance Co.'s institutional business division. "Most employers today have to make the decision to invest in some wellness initiative and they shouldn't expect hard numbers to demonstrate the ROI."

Numerous studies have shown that wellness perks such as corporate fitness centers, onsite nutritionists, health counseling and disease management can positively affect health insurance claims and costs. But experts say businesses want to see the difference in their corporate bottom line.

"To expect a vendor a year later to prove they've had an impact is completely unrealistic," said Bruce Kelly, Minneapolis-based senior consultant and national leader for health data solutions with Watson Wyatt Worldwide.

It's not uncommon to help a company set up a wellness program and have the chief financial officer request an annual, or even quarterly, report on ROI almost immediately. "The expectations are set really high," Mr. Kelly said.

While many wellness consultants sell their services based on promises of return on investment, experts say most of these promises are based on studies and not actual data from the companies they serve.

Companies that create disease management programs to focus on chronic employee conditions such as high cholesterol, diabetes or high blood pressure often expect immediate results in the form of fewer claims, he said.

"If you are talking about a program that aims to improve someone's cholesterol, it would take 15 years to see whether this improvement will prevent a heart attack," Mr. Kelly said.

Other experts say it easily could take five to 10 years from the time a company begins a wellness program before it caps or even lowers insurance premiums.

"The ROI might be out there; it's just not jumping out at you," said Mike Miele, president Princeton, N.J.-based Apex Management Group, a division of Gallagher Benefits Services Inc. "There is no agreed-upon way to compute dollars from all these (wellness) activities."

While common practices—gathering participation figures, charting absenteeism, tracking changes in the size of medical insurance claims, to name a few—do exist to estimate how much a particular wellness program generates in overall savings, experts say many of the practices are flawed.

For example, examining employee absenteeism may not be accurate because workers sometimes take sick days when they are not ill.

Tom Lerche, Chicago-based senior vp and practice leader for Aon Consulting's health and benefits practice, said many companies do not accurately track absenteeism among salaried employees, thus skewing any data collected on overall absenteeism.

Tracking medical claims data appears to be among the most popular ways for companies to calculate their ROI because it appears to be the most common-sense, bottom-line way to decipher a wellness program's effect on health costs, experts say.

While full of holes, the method could be reliable if companies focus on a specific set of employees and track them using data warehouses and other research methods, experts say. Among the main limitations in this approach are resources, both financial and manpower.

"What employers are going to have to do is large-scale, longer-scale studies of their programs that are based on rigorous research methods," Mr. Kelly said.

Tracking medical claims data could prove tedious, and, in some cases, may require help from an outside firm, Mr. Lerche said. "It's a matter of investment and resources," and a company would have to spend thousands of dollars over the original cost of a wellness program to calculate savings.

"To evaluate your program over a few years, you need to devote the resources," Mr. Lerche said. "There needs to be a commitment within the company over the long term. Who is going to own the responsibility of tracking data? (Human resource departments) are overstressed and have a lot to do already."

Companies also need to devote the time to track medical claims, which over time could get muddled amid employee turnover, experts say.

But that doesn't stop companies such as Pittsburgh-based health insurer Highmark Inc. and Kansas City, Mo.-based St. Luke's Health System from starting wellness programs that they say produced measurable savings even though their methodologies were less than perfect (see story, page 20).

Employees who gravitate toward wellness programs generally are healthy and "are seeking validation for what they are already doing," said Apex Management's Mr. Miele. "The people we often want to talk to are the people who hang up on us."

Many wellness programs include health risk assessments, but employees are increasingly timid in providing information regarding their health risks, experts say.

"There's such a plethora of things in the news about employers trying to keep health care costs low (and) people don't want their employers to know they are taking part in unhealthy behavior," said Don Powell, chief executive officer and president of the Farmington Hills, Mich.-based American Institute for Preventative Medicine.

To make this easier, companies can rely on tools such as the Wellness Wizard, a calculator developed by the institute. The calculator provides companies with a cost breakdown of eight common risk factors, from smoking to high blood pressure, that can affect health costs.

By plugging in the number of company employees, the Wellness Wizard uses data from seven studies and the U.S. government's National Center for Chronic Disease Prevention and Health Promotion to aggregate risks and costs. The reports provide companies with a list of ailments and risk factors, along with the money it costs to treat individuals with such issues.

Mr. Powell said the Wellness Wizard is not entirely accurate for a company's specific population, but it does provide a glimpse of how health risks affect costs.

For example, a company with 2,000 employees spends an extra \$1.1 million in medical costs for employees who have diabetes, according to a sample report. That same company is estimated to spend an extra \$566,031 on overweight individuals and \$187,462 on smokers.

Some companies, however, may forgo such a report and rely on common sense, say some experts who note that wellness programs have been around long enough to prove their worth beyond dollars and cents. Wellness programs have a reputation for boosting employee moral, improving absenteeism and keeping a company competitive, they add.

"We already know that risky behaviors cost more, and if we know from literature that if we get people to change their lifestyles, change risk, then you can deduce that you have a return on investment," said Jack Bastable, Leawood-Kan.-based practice leader for health and productivity with CBIZ Benefits & Insurance Group. "In a lot of ways it's common sense: risk decrease, cost decrease."