

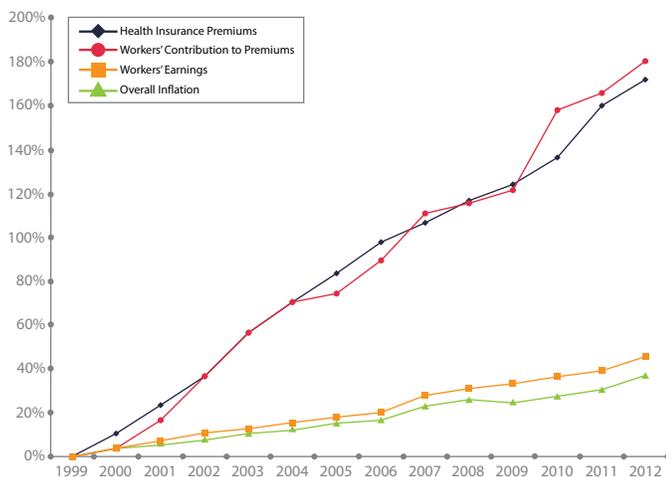


# Workplace Wellness Programs

Lower Health Care Costs and Improve Workforce Productivity

U.S. businesses play a crucial role in promoting healthy lifestyles since they “are the principal source of health insurance in the United States, providing health benefits for about 149 million nonelderly people.”<sup>1</sup> Consequently, employers bear a massive share of the nation’s health care costs and have unique influence over their employees’ lifestyle choices. Moreover, a productive workforce is key to business success, so healthy employees are a major business concern. As health care costs continue to soar, businesses are looking for ways to save on health care any way they can. Companies are increasingly turning to workforce wellness programs, which research shows can effectively lower health care costs and improve workforce productivity.

**Figure 1:** Cumulative Increases in Health Insurance Premiums, Workers’ Contributions to Premiums, Inflation, and Workers’ Earnings, 1999-2012



SOURCE: Kaiser/HRET<sup>2</sup>

## The Current State of Workplace Wellness Programs

The RAND Corporation defines wellness programs as “an employment-based activity or employer-sponsored benefit aimed at promoting health-related behaviors (primary prevention or health promotion) and disease management (secondary prevention).”<sup>3</sup> Wellness programs can range from basic health screenings to comprehensive lifestyle management counseling. Common examples of wellness programs include:

- weight loss programs
- biometric screening
- smoking cessation programs

- lifestyle or behavioral coaching
- gym membership discounts or on-site exercise facilities
- classes in nutrition or healthy living
- web-based resources for healthy living
- a wellness newsletter<sup>4</sup>

Most of these programs are aimed at tackling the four behaviors the Centers for Disease Control and Prevention has identified as the primary causes of chronic disease - physical inactivity, poor diet, alcohol abuse, and tobacco use.<sup>5</sup> Currently 63 percent of wellness programs encourage employees to exercise, 60 percent target smoking, and 53 percent promote weight loss.<sup>6</sup>

The vast majority of large businesses have already instituted workplace wellness programs. In 2009, 92 percent of companies with 200 or more employees reported offering wellness programs.<sup>7</sup> In stark contrast, only 22 percent of small businesses reported offering wellness programs in 2012.<sup>8</sup> And employee participation remains low, with fewer than 20 percent of eligible employees getting involved in workplace wellness programs.<sup>9</sup>

1 “Employer Health Benefits 2012 Annual Survey: Employee Coverage, Eligibility, and Participation.” The Kaiser Family Foundation and Health Research & Educational Trust, 2012, p. 48. [http://ehbs.kff.org/pdf/2012/8345-Section\\_3.pdf](http://ehbs.kff.org/pdf/2012/8345-Section_3.pdf)

2 “Employer Health Benefits Survey 2012.” The Kaiser Family Foundation and Health Research & Educational Trust, 2012, Exhibit 1. <http://ehbs.kff.org/pdf/2012/8345-Chartpack.pdf>

3 Matkke, S., Schnyer, C., and Van Busum, K. “A Review of the U.S. Workplace Wellness Market.” RAND Corporation, 2012, pp. 5. [http://www.rand.org/content/dam/rand/pubs/occasional\\_papers/2012/RAND\\_OP373.pdf](http://www.rand.org/content/dam/rand/pubs/occasional_papers/2012/RAND_OP373.pdf)

4 Bulleted list taken verbatim from “Employer Health Benefits 2012 Annual Survey: Wellness Programs and Health Risk Assessments.” The Kaiser Family Foundation and Health Research & Educational Trust, 2012, p. 178. [http://ehbs.kff.org/pdf/2012/8345-Section\\_12.pdf](http://ehbs.kff.org/pdf/2012/8345-Section_12.pdf)

5 “Chronic Diseases and Health Promotion.” Centers for Disease Control and Prevention. <http://www.cdc.gov/chronicdisease/overview/index.htm>

6 <http://go.globoforce.com/rs/globoforce/images/SHRMWinter2012Report.PDF>

7 Matkke, S., Schnyer, C., and Van Busum, K. Op. cit., p. 5

7 Ibid.

8 “Workplace Wellness Programs in Small Business: Impacting the Bottom Line.” National Small Business Association and Humana, 2012, p. 2. <http://www.nsbba.biz/wp-content/uploads/2012/09/wellness-survey-v3.pdf>

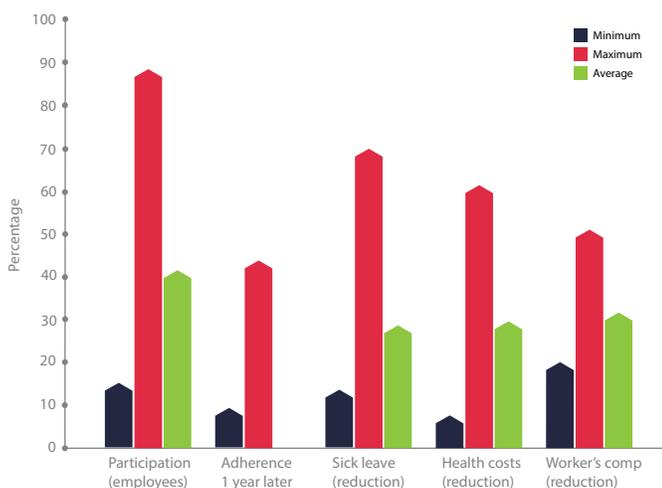
9 Matkke, S., Schnyer, C., and Van Busum, K. Op. cit., pp. 5-6.

## Wellness Program Costs and Returns

In its “2011/2012 Staying@Work Survey Report,” Towers Watson calculated that “direct and indirect costs related to programs for wellness, absence management, and disability totaled 26.8 percent of payroll in the United States.”<sup>10</sup> Dr. Ron Goetzel, director of the Emory University Institute for Health and Productivity Studies and vice president of Consulting and Applied Research for Thomson Reuters, states that companies should invest \$200-\$400 per employee per year in wellness programs.<sup>11</sup>

The costs of workplace wellness programs may seem high, but evidence shows that they offer a sizeable return on investment. A Harvard University study finds that “medical costs fall about \$3.27 for every dollar spent on wellness programs, and absentee day costs fall by about \$2.73 for every dollar spent.”<sup>12</sup> Additionally, the World Economic Forum estimates that U.S. companies could save around \$700 per employee each year in health care costs and productivity improvements just by offering wellness programs targeting physical inactivity, stress, and harmful alcohol use.<sup>13</sup> The savings from wellness programs may not be immediate, but evidence shows that they pay off over time: “Tangible results can be seen as early as one to two years into the program, but optimal savings outcomes are recognized in the third and fourth years.”<sup>14</sup>

**Figure 2: Impact of Wellness Program Participation on Employee Costs**



SOURCE: Biotechnology Healthcare<sup>15</sup>

## Incentives and Wellness Programs

Low employee participation continues to dampen the benefits of workplace wellness programs. As Mattke, Schnyer, and Van Busum note, “the best-intended and best-designed program will not reach its goals if people are not using it.”<sup>16</sup> Evidence shows that incentives can have a positive effect on employee participation. As such, businesses are ramping up their use of incentives to promote wellness programs. Just as large companies lead small businesses in offering wellness programs, they are also more likely to offer incentives for participating in wellness programs. Forty-one percent of large businesses, compared to 10 percent of small businesses, currently offer incentives.<sup>17</sup> Figure 3 demonstrates the growing popularity of incentives linked to wellness program participation.

**Figure 3: Percentage of Companies Offering Financial Incentives in Wellness Programs<sup>18</sup>**

	2009	2010	2011
Health risk appraisal	61%	66%	78%
Biometric screenings (blood pressure, BMI, cholesterol)	28%	32%	64%
Weight management program	34%	34%	51%
Smoking cessation program	40%	40%	49%
Disease management programs (for those with a chronic condition)	26%	26%	29%
Lifestyle coaching	--	29%	33%
Stress management	--	--	24%
Worksite activities (e.g., yoga, walking programs)	--	--	38%
Team challenges	--	--	57%

SOURCE: Towers Watson<sup>19</sup>

11 “ROI for Workplace Wellness: Dr. Ron Goetzel on the value of a healthy workplace.” The Wellness Council of America, 2010, p. 5. <http://www.welcoa.org/freeresources/pdf/0110newsviewsgoetzel.pdf>

12 Baicker, K., Cutler, D., and Song, Z. “Workplace Programs Can Generate Savings.” Health Affairs, 29:2, 2010, p. 12. <http://nrs.harvard.edu/urn-3:HUL.InstRepos:5345879>

13 “The New Discipline of Workforce Wellness: Enhancing Corporate Performance by Tackling Chronic Disease.” World Economic Forum, 2010, p. 5. [http://www3.weforum.org/docs/WEF\\_HE\\_TacklingChronicDisease\\_Report\\_2010.pdf](http://www3.weforum.org/docs/WEF_HE_TacklingChronicDisease_Report_2010.pdf)

14 Rossi, A. “Wellness Programs on the Rise.” Biotechnology Health care, Spring 2010, p. 30.

15 Rossi, A. “Wellness Programs on the Rise.” Op. cit., p. 29.

16 Mattke, S., Schnyer, C., and Van Busum, K. Op. cit., p. 32.

17 “Employer Health Benefits 2012 Annual Survey: Wellness Programs and Health Risk Assessments.” The Kaiser Family Foundation and Health Research & Educational Trust, 2012, p. 178. [http://ehbs.kff.org/pdf/2012/8345-Section\\_12.pdf](http://ehbs.kff.org/pdf/2012/8345-Section_12.pdf)

18 Note: Based on companies that offer these programs.

19 “Pathway to Health and Productivity.” Op. cit., p. 17.

According to the 2012 “HERO Employee Health Management Best Practice Scorecard,” 73 percent of employers offering incentives linked to wellness program participation reported a positive impact on their medical cost trend. When companies offered employees incentives for taking health assessments, the participation rate more than doubled (53 percent versus 24 percent). Similarly, when employers offered incentives for health coaching programs, the participation rate reached 28 percent, much higher than the 16 percent reported by companies that offer no incentive.<sup>20</sup> Figure 1.4 shows the similar link between incentives and increased program participation Towers Watson found in its “2011/2012 Staying@Work Survey Report.”

**Figure 3: Linking Financial Incentives and Program Participation<sup>21</sup>**

	Average Participation Rates		
	All Respondents	Don't Offer Financial Incentives	Offer Financial Incentives
Health risk appraisal	39%	19%	46%
Biometric screenings (e.g., blood pressure, BMI, cholesterol)	35%	25%	45%
Weight management program	11%	7%	13%
Smoking cessation program	8%	6%	8%
Disease management programs (for those with a chronic condition)	14%	13%	16%
Lifestyle coaching	13%	8%	21%
Stress management	9%	7%	9%
Worksite activities (e.g., yoga, walking programs)	19%	15%	28%
Team challenges	21%	14%	25%

SOURCE: Towers Watson<sup>22</sup>

## Effective Workplace Wellness Programs: Best Practices

The effectiveness of a workplace wellness program is highly dependent on its design, implementation, and management. The following best practices are identified by studies examining the elements of successful wellness programs:

- Executive support: company leadership was visibly involved in the program, which encouraged organization-wide participation.
- Alignment with business objectives: employees saw how good health benefited their organization, positively impacting productivity, costs, profitability, and the company’s mission.
- Culture: employees saw an organizational commitment aimed at creating a supportive and healthy environment.
- Employee engagement: employees had input on wellness program offerings and evaluated their effectiveness.

- Incentives: companies monitored the effectiveness of incentives, comparing their costs to savings from higher program participation and improved health outcomes.
- Constant communication: employees were frequently reminded about program opportunities via newsletters, personalized messages, at meetings, etc.
- Program individualization: flexible program options met a diverse workforce’s health needs.<sup>23</sup>

These guidelines could help businesses unlock the great potential of workplace wellness programs, which Dr. Ron Goetzel captures by saying:

“About 160 million Americans go to work every day. They spend a significant portion of their waking hours at work. Why not take advantage of that situation and provide employees with health education and behavior change programs that will not only benefit them as individuals but also the organizations that employ them. The workplace provides a terrific venue for large-scale population health improvement.”<sup>24</sup>

20 “HERO Employee Health Management Best Practice Scorecard in Collaboration with Mercer: Annual Report 2012.” The Health Enhancement Research Organization and Mercer, 2012, pp. 5-7. [http://www.the-hero.org/scorecard\\_folder/2012\\_annual\\_report.pdf](http://www.the-hero.org/scorecard_folder/2012_annual_report.pdf) <http://www.welcoa.org/freeresources/pdf/0110newsviewsgoetzel.pdf>

21 Note: Based on North American companies that offer these programs and excluded respondents that “Don’t Know” participation rates for the various programs. Participation rates are based on only employees who qualify and/or are recommended to participate in the listed programs. <http://nrs.harvard.edu/urn-3:HUL.InstRepos:5345879>

22 “Pathway to Health and Productivity.” Op. cit., p. 20.

23 “Worksite Wellness Program Best Practices.” Wellsource. <http://www.wellsource.com/articles-mhc/Worksite-Wellness-Program-Best-Practices.html>; Schweyer A. “Energizing Workplace Wellness Programs: The Role of Incentives, Rewards & Recognition.” Incentive Research Foundation, 2011, pp. 27-30. [http://theirf.org/direct/user/site/0/files/IRF%20Wellness%20Phase%20One%20Final%20June%2017%202011%20\(1\).pdf](http://theirf.org/direct/user/site/0/files/IRF%20Wellness%20Phase%20One%20Final%20June%2017%202011%20(1).pdf); and “Guidance for a Reasonably Designed Wellness Program.” Journal of Occupational and Environmental Medicine, 54:7, 2014, pp. 890-894. [http://www.aoem.org/uploadedFiles/Public\\_Affairs/Policies\\_And\\_Position\\_Statements/JOEM%20Joint%20Consensus%20Statement.pdf](http://www.aoem.org/uploadedFiles/Public_Affairs/Policies_And_Position_Statements/JOEM%20Joint%20Consensus%20Statement.pdf)

24 “ROI for Workplace Wellness...” Op. cit., p. 3.

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