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# Creating a Culture of Health

## *Viewing Workplace Wellness*

### *through a New Lens*

“It is more important to know what sort of person has a disease, than to know what sort of disease a person has.”

-Hippocrates

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## Executive Summary

Americans spend a lot of time at work—more than the hours they devote to sleep, leisure or sports.<sup>1</sup> It’s no wonder then that so many of them suffer from chronic diseases; health and wellness take a back seat to earning a living. According to the Centers for Disease Control and Prevention (CDC), 117 million people in the U.S. had one or more chronic health conditions as of 2012.<sup>2</sup> Today, that figure accounts for 75 percent of U.S. health care costs.<sup>3</sup>

At the same time, employers are struggling to fund this health care, shelling out on average nearly \$12,000 annually for family coverage.<sup>4</sup> Add Affordable Care Act (ACA) mandates to the landscape, and the push to improve health is stronger than ever.

While chronic diseases are costly, they are also preventable. Lowering tobacco use, increasing physical activity, eating better, drinking less alcohol and having regular health exams are behaviors that can dramatically improve health and wellbeing. It’s a simple cause and effect formula. When people feel better, physically and emotionally, they are more engaged, motivated and productive at home and at work. Ultimately, healthy employees yield a healthy bottom line.

For employers, this shift calls for more than a check-the-box wellness program. It demands a holistic, consumer-centric solution with multiple approaches. It requires creating a culture of health—a top-to-bottom approach that changes behavior, measures more than numbers and drives a positive value on investment (VOI).

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<sup>1</sup> “American Time Use Survey,” Bureau of Labor Statistics, United States Department of Labor, October 23, 2013.

<sup>2</sup> “Chronic Diseases and Health Promotion,” Centers for Disease Control and Prevention, May 9, 2014.

<sup>3</sup> “Chronic Disease Prevention and Promotion,” Centers for Disease Control and Prevention, May 21, 2014.

<sup>4</sup> The Henry J. Kaiser Family Foundation, “2013 Employer Health Benefits Survey,” August 2013.



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## Wellness: Then & Now

Workplace wellness isn't a novel concept. In fact, it's been around, in some form, for more than a century:

In 1879, the Pullman Company established an athletic association for employee use.

In the 1880s, the president of National Cash Register met employees for horseback rides before work. A few years later, the company instituted twice-daily exercise breaks, built an employee gym and, in 1911, added a 325-acre recreation park for its workers.

In the 1930s, Hershey Foods built a recreation complex, complete with a swimming pool.<sup>5</sup>

By the 1950s and 1960s, companies such as Texas Instruments, Rockwell and Xerox were implementing employee fitness programs.<sup>6</sup> It was around this time too, that the World Health Organization (WHO) put wellness on the public podium. In the preamble to its 1948 constitution, the WHO stated, "Health is a state of complete physical, mental and social wellbeing and not merely the absence of disease or infirmity."<sup>7</sup>

From there, pioneers like Dr. Dee Edington have advanced the movement, emphasizing health as a serious economic strategy and creating a culture of health in the workplace as a means to reduce health care costs and improve productivity.

At some point, the notion of holistic health and wellness ran off the rails, with many companies focusing more on their financial return on investment (ROI) than on the VOI or not having any measurement at all. By viewing wellness through such a narrow lens, employers have ended up with short-term answers.

Even research findings that question workplace wellness ROI, acknowledge the overriding, long-term benefits. The highly publicized RAND survey, for example, found that:

"... workplace wellness programs can help contain the current epidemic of lifestyle-related diseases ... as well as health care cost in the United States."<sup>8</sup>

**Medical costs fall by about \$3.27 for every dollar spent on wellness programs and that absenteeism costs fall by about \$2.73 for every dollar spent.<sup>9</sup>**

For every research finding that implies wellness programs don't generate a positive ROI, there is a counter study proving positive returns.

Herein lies the challenge with defining what comprises wellness and how it should be measured. Today's employers are best served by viewing it as a business issue, not merely a nice-to-have employee perk. It is truly a means to improving employee health and productivity and thus the organization as whole.

Many U.S. companies are now realizing that to be competitive they need to be thinking about worker health. A recent Towers Watson study indicates that "seven in 10 companies identify developing a workplace culture where employees are responsible for their health as critical, and understand its importance as a top priority of their health and productivity program."<sup>10</sup>

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<sup>5</sup> "The Evolution of Worksite Health," Corporate Wellness Magazine, January 29, 2104.

<sup>6</sup> Ibid.

<sup>7</sup> Ben Zimmer, "On Language: Wellness," The New York Times, April 16, 2010.

<sup>8</sup> Soeren Mattke and others, "Workplace Wellness Programs Study," RAND Health, 2013.

<sup>9</sup> Katherine Baicker and others, "Workplace Wellness Programs Can Generate Savings," January 10, 2010. Health Affairs

<sup>10</sup> "The Business Value of a Healthy Workforce," Towers Watson, 2014.

## Market Forces at Work

While workplace wellness has been in the spotlight in recent years, emerging market forces are changing the focus on it.

### Runaway health care costs

In the last decade, health care costs have exceeded U.S. economic growth by an average of 2.5 percent annually.<sup>11</sup> According to a study by the Deloitte Center for Health Solutions, those costs will continue to climb by 5.8 percent per year through 2022—outpacing gross domestic product (GDP), average wages and productivity gains.<sup>12</sup>

Everyone is feeling the pain associated with these rising costs. Health insurance premiums in the U.S. have increased by 140 percent, while worker earnings have only increased by 36 percent in the past ten years.<sup>13</sup>

Employer-sponsored insurance covers 55 percent, or 170.9 million, Americans.<sup>14</sup> During the last ten years, the cost to provide this insurance has increased by 77 percent.<sup>15</sup> As a result, many employers are exploring cost-shifting strategies, forcing employees to pay more out of their own pockets for care under high-deductible health plans. Many are looking at health and wellness strategies too.<sup>16</sup>

### Tactics employers believe will impact cost management

Which of the following strategies do you currently use to reduce or manage your company's health care costs? Of the following strategies, how much of an impact does each have on reducing or managing a company's total health care costs?

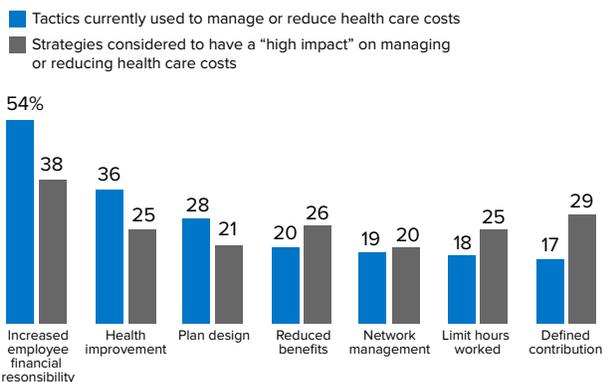


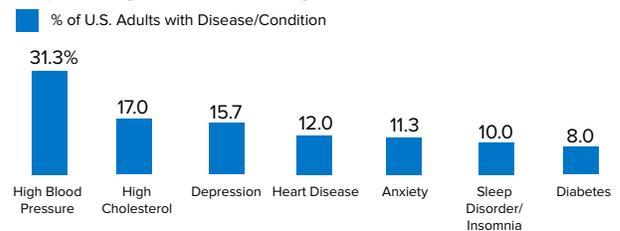
Chart displays weighted percentages  
Source: Deloitte Center for Health Solutions: 2013 Survey of U.S. Employers

## Where's it all going?

Theories and analyses about about what's causing the cost increases. One of the key causes resides in poor lifestyle choices (e.g., physical inactivity, poor diet and tobacco or alcohol use), often resulting in chronic disease such as diabetes, lung cancer and heart disease.

### Chronic Disease in the United States

Chronic conditions - such as high blood pressure, high cholesterol, depression, heart disease, anxiety, sleep disorder/insomnia, and diabetes - affect the lives of many Americans. This chart shows the percentage of U.S. adults diagnosed with these diseases.



Source: Centers for Disease Control and Prevention (2004 - 2008)

According to a study by the Milken Institute, chronic diseases cost the U.S. economy more than \$1 trillion annually, or nearly 6 percent of the U.S. national debt. This figure could climb to \$6 trillion by 2050. For example, between 2009-2012, the economic costs associated with smoking came to \$289 billion per year—a figure comprising direct medical care for adults and lost productivity from premature death.<sup>17</sup>

The losses have well-established impacts on productivity, including absenteeism and presenteeism, which occurs when employees come to work too ill to perform their jobs.<sup>18</sup>

<sup>11</sup> Sheryl Coughlin, "Health care costs, benefits, and reform: What's the next move for employers?" Deloitte Center for Health Solutions, 2013.

<sup>12</sup> Ibid.

<sup>13</sup> "2013 Employer Health Benefits Survey," The Henry J. Kaiser Family Foundation, August 2013.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

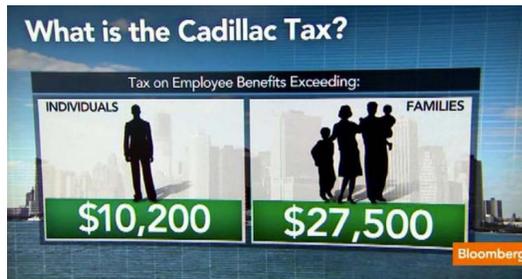
<sup>16</sup> Sheryl Coughlin, "Health care costs, benefits, and reform: What's the next move for employers?" Deloitte Center for Health Solutions, 2013.

<sup>17</sup> "The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General," US Department of Health and Human Services, Centers for Disease Control and Prevention, 2014.

<sup>18</sup> Ross DeVol and others, "An Unhealthy America: The Economic Burden of Chronic Disease," Milken Institute, October 2007.

## ACA implications

The ACA introduces a double-edged sword of sorts for employers. On the upside, it introduces provisions to encourage healthier lifestyles. It raises the cap on incentives that small businesses can offer their employees for participating in wellness activities to 30 percent of their health benefit costs.<sup>19</sup> For smoking cessation, the cap moves up to 50 percent.<sup>20</sup>



Source: Bloomberg Business Week, May 2013

On the downside, the ACA will impose a 40 percent excise tax, known as the "Cadillac tax" on companies in 2018 if their health plans cost more than \$10,200 for individual coverage and \$27,500 for family coverage.

As a result, employers are looking at ways to revise their benefits, enriching their wellness programs to offset higher-deductible health plans. According to the New York Times, "Larger companies are experimenting with an array of disease management and wellness programs, for instance, or even setting up their own work-site clinics as a way to sidestep the tax."<sup>21</sup>

## Creating a Culture of Health

The demand for wellness solutions is at an all-time high. In fact, studies show that employers plan to increase their budgets for wellness incentives by 15 percent compared to 2013.<sup>22</sup> Yet, with hundreds of wellness solutions on the market today, how do employers know where to begin? Shifting the focus to a culture of health and thus productivity is a good place to start. That means making a long-term commitment to a holistic solution focused on wellbeing and individual attitudes about health versus investing in a cookie-cutter product that seeks to check the wellness box and consider all problems solved.

## Goals

The growing divide between expectations and outcomes associated with workplace wellness largely stems from a focus on ROI-driven programs. Using ROI as a singular yardstick also often results in "carrot-and-stick" incentives that can actually demotivate employees. To that end, companies like Regence believe ROI should only be one of a few key goals when creating a culture of health:

**"An ounce of prevention is worth a pound of cure."  
Benjamin Franklin**

### 1. Increase engagement

For Regence, engagement is one of the most important elements of a health and productivity program. If employees and their family members aren't using and engaged with health promotion programs, employers cannot create a culture of health.

Employee engagement matters to the bottom line too. A Gallup study found that organizations with an average of 9.3 engaged employees for every disengaged employee in 2010-2011 had earnings per share (EPS) that were 147 percent higher than their competition.<sup>23</sup>

Traditional ways of engaging employees are less effective however. Employers need to consider adopting health and productivity solutions that are personalized and meet employees where they are in terms of their wellness journey, leverage innovative technologies and reference modern-day research into behavioral economics and incentive-plan design.

<sup>19</sup> Julia James, "Workplace Wellness Programs," Health Affairs, May 10, 2012.

<sup>20</sup> "ObamaCare and Smokers," ObamaCare Facts, source: <http://obamacarefacts.com/obamacare-smokers.php>.

<sup>21</sup> Reed Abelson, "High-End Health Plans Scale Back to Avoid 'Cadillac Tax,'" The New York Times, May 27, 2013.

<sup>22</sup> Dan Cook, "Employers budgeting more for wellness incentives," BenefitsPro.com, February 21, 2014.

<sup>23</sup> State of the American Workplace," Gallup, 2013.

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## 2. Improve health

There's a simple truth about health. When people feel better, physically and emotionally, they are more engaged, motivated and productive. Employers need to make it easy for employees to make healthy choices, with a culture of health that addresses multiple touch points. That means reevaluating how people think about health.

Regence considers health improvement a critical objective of any health and productivity effort, and has the mechanisms to ensure it's tracked. It may seem obvious, but today's market is full of examples where this was not a key measure of success.

## 3. Bend the cost curve

When employers deploy a strategy that emphasizes increased engagement and improved health, Regence contends they can bend the cost curve. It will not happen overnight, but with consistent, long-term attention, it is attainable.

There are plenty of ROI success stories related to total health management programs:

Johnson & Johnson: Estimates wellness programs have cumulatively saved them \$250 million in health care costs over the last decade.<sup>25</sup>

Caterpillar, Inc.: Anticipates long-term savings of more than \$700 million by 2015, with current overall direct cost savings of 23 percent.<sup>26</sup>

Citibank: Citibank's ROI was estimated between \$4.56 - \$4.73 per program dollar spent.<sup>27</sup>

While bottom-line results are important to every business, the cost savings and profits informing them must be measured beyond numbers. This means considering the impact on both health and productivity, finding ways to move employees from high-risk to lower-risk categories and, ultimately, focusing on VOI—higher engagement, retention, satisfaction and presenteeism. This strategy may not yield immediate cost savings, but over the long term, the rewards will be greater.

**Engaged employees are generally healthier than their unengaged peers, have lower incidences of chronic health programs and are more likely to participate in company wellness programs.<sup>24</sup> They also have lower health care costs.**

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<sup>24</sup> State of the American Workplace," Gallup, 2013.

<sup>25</sup> Leonard L. Barry, "What's the Hard Return on Employee Wellness Programs?," Harvard Business Review, December 2010.

<sup>26</sup> "Prevention Makes Common Cents," U.S. Department of Health & Human Services, 2003.

<sup>27</sup> "Overview of Worksite Wellness & Its Value," Pennsylvania Department of Health, July 2008.

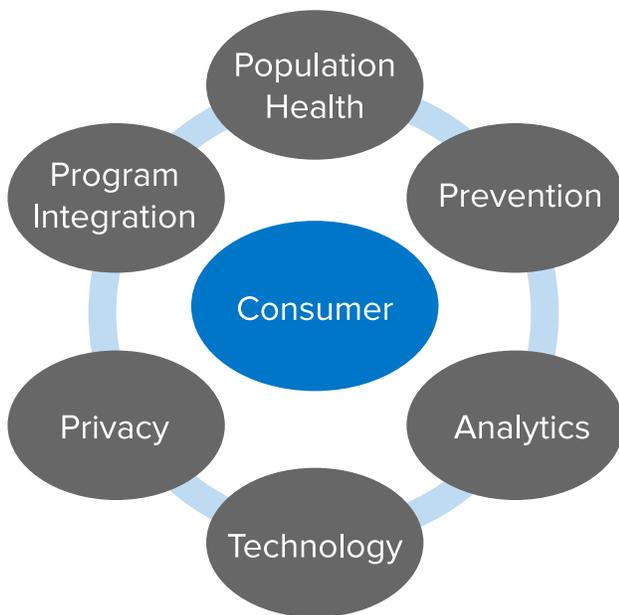
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## The Regence Point of View

Creating a culture of health starts with putting the consumer, or employee, in the center. With that in place, employers can focus on integrating key program pillars.

### Population health:

A successful program should integrate all areas that affect worker health and productivity—whether it's the food in the vending machines and what it costs, or what's served at parties; the layout of the workplace; how and where meetings are held; what benefits are provided; what is incentivized; and how supportive the company culture is overall.



### Prevention:

Many people don't realize how their health and wellbeing are impacted by social, emotional, financial, physical and workplace stress until something goes awry. Keeping employees healthy instead of waiting to treat them when they're ill is an imperative. This means ensuring workers and their dependents receive age and gender-appropriate preventative health screenings. It's a different mindset: prevention-driven wellness versus event-driven health care. If there is an appropriate focus on prevention, it's possible to

avoid many downstream health care expenses. For Regence, the best health care dollar is the one that's never spent.

### Analytics:

You can't improve what you can't measure. Employers need to take the pulse of the program they implement at set intervals. This includes defining outcomes measurements and using data analytics to determine measures of success. At a cursory level, it means knowing, for example, if unscheduled absences, presenteeism, disability days and retention rates have changed since launching the new program.

### Technology:

Plenty of wellness solutions today don't go beyond a website experience. Engagement needs to comprise a person-focused portfolio of innovative, technology-forward touch points, device integration, mobile or other wireless solutions, health portals or personal health records.

### Privacy:

Privacy measures are vital to gaining and maintaining participant trust. Employers should ensure that whatever solution they put in place has the highest security standards and that employees are aware of how their personal information will be kept safe and who has access to it within the company.

### Program integration:

Ultimately, integrating these key program pillars and related tactics will drive success. This must start at the top of the organization, with C-level stakeholders endorsing the shift and empowering staff to remove existing silos.

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## Adding It All Up

Creating a culture of health improves engagement, satisfaction, absenteeism and retention. For example, studies prove that healthy employees stay with the company. Organizations with highly effective total health management programs report lower voluntary attrition than those with programs that have low effectiveness. At the software firm SAS Institute, voluntary turnover is just 4 percent, thanks in part to such a program; at the Biltmore tourism enterprise, the rate was 9 percent in 2009, down from 19 percent in 2005.<sup>28</sup>

Clearly, ROI only tells part of the story. Employers are better off measuring the value on their investment—a forward-looking equation with long-term benefits.

Total health management programs are not nice-to-have extras. They can truly impact the health of a workforce and ultimately the health of the entire organization. When implemented thoughtfully, as a multi-faceted approach that changes behavior and focuses on health and productivity, employers—and employees—stand to gain the most.

Our mission with the Regence wellness solution is to improve employee health and well-being. Our health and productivity solution includes comprehensive, integrated online wellness capabilities, “Boots on the Ground” support including dedicated wellness consultants, Regence-employed health coaches, event and communications support and robust reporting.

Our commitment to employers is to increase employee engagement in their wellness, improve worker health and ultimately bend the cost curve. To increase engagement we provide employers with highly personalized health and productivity solutions that meet employers where they are in terms of wellness program evolution and budget. We leverage the latest technologies, and design incentive strategies that use behavioral economics theories. To improve employee health we emphasize the creation of a culture of health, provide tools and resources to help an employer’s workforce achieve the best health they can, and whenever possible integrate with Regence Care Management programs. To bend the cost curve we work with employers to deploy our wellness solutions, employ a long-term wellness strategy, and build a culture of health, ultimately resulting in a moderation of their cost curve. Our focus is on VOI instead of ROI. With the Regence wellness solution we can demonstrate how an employer’s workforce can reduce their risk factors which has a demonstrated impact on health care costs.

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<sup>28</sup> Leonard L. Barry, “What’s the Hard Return on Employee Wellness Programs?,” Harvard Business Review, December 2010.

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## About Regence BlueShield

Regence BlueShield serves select counties in the state of Washington and is an Independent Licensee of the Blue Cross and Blue Shield Association. Regence BlueShield has been serving Washingtonians in select counties for nearly a century and now provides more than 1.1 million members with comprehensive health insurance solutions. As a nonprofit independent licensee of the Blue Cross and Blue Shield Association, Regence is part of a family of companies dedicated to transforming health care by delivering innovative products and services that change the way consumers nationwide experience health care. For more information, please visit [regence.com](http://regence.com), [facebook.com/regenceblueshieldwa](https://www.facebook.com/regenceblueshieldwa) or [twitter.com/regencewa](https://twitter.com/regencewa).

