

On the Brink of Change

How CFOs View Investments in Health & Productivity



IBI Research - 2002

Source: *On the Brink of Change: How CFOs View Investments in Health and Productivity*, Integrated Benefits Institute, 2002

- 269 senior financial executives, including CFOs, financial directors, executive and senior vice presidents of finance and vice presidents of finance, were surveyed to gain insights into how they understood the link between health and productivity.
- The study, conducted by the Integrated Benefits Institute, (IBI) in collaboration with surveying services of CFO Research Services (a unit of CFO Publishing Corp.), was funded by Shearing Plough.

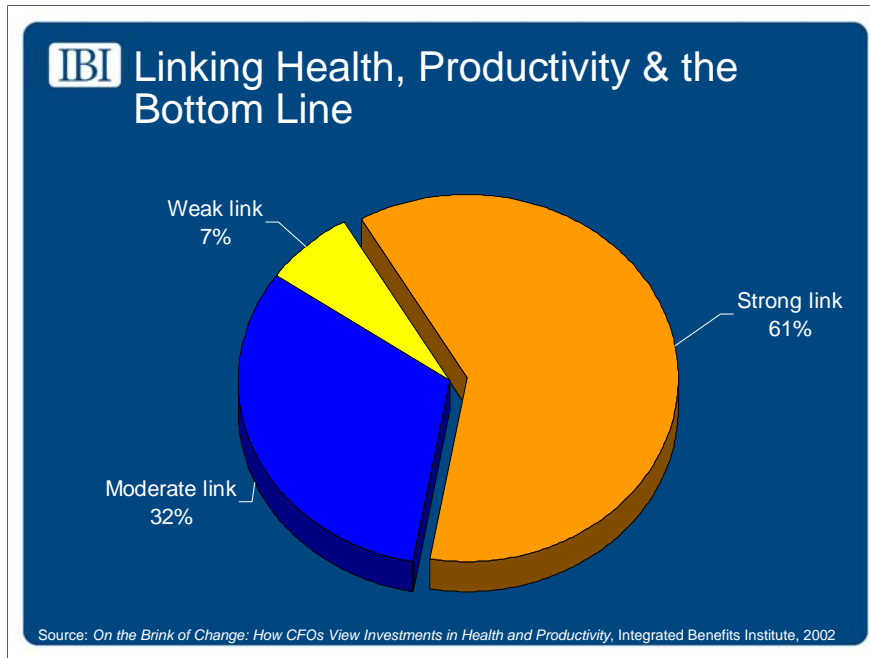


IBI CFO Research

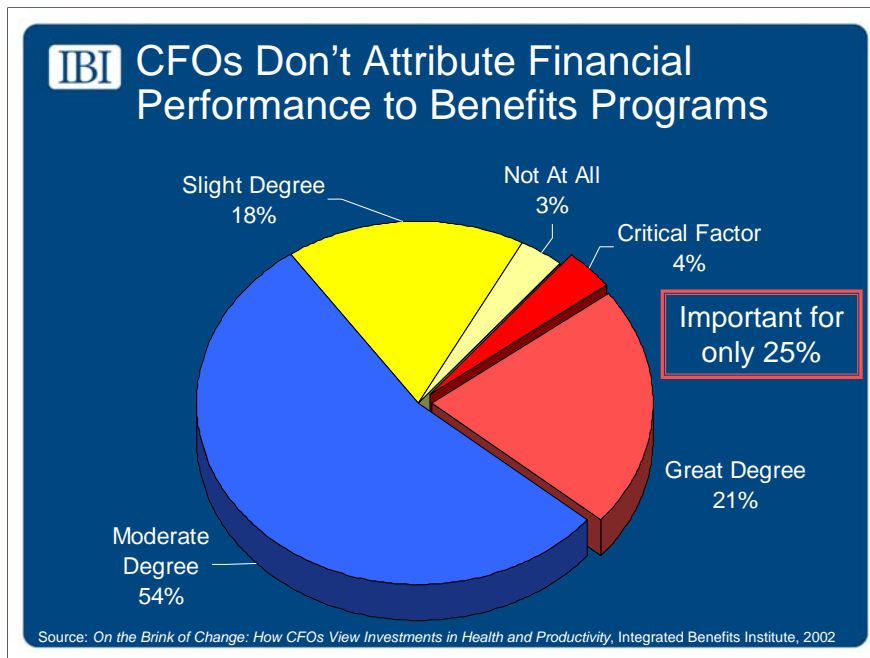
Purpose: 1st of two CFO surveys identifies their willingness to link health and employee benefits to the bottom line and what would strengthen the connection

Key Insights:

- CFO's interest in healthcare goes well beyond controlling costs
- They strongly connect health to productivity to the bottom line but have more difficulty linking benefits programs to the bottom line
- CFOs use different measures to gauge success than do benefits managers, and CFO terms should be used to gain their attention
- Workforce productivity changes are the way to get a CFO's attention
- CFOs appreciate the potential positive influence that healthcare providers and a pharmaceutical benefit can have on health and productivity
- With the right information, keyed to how they think, CFOs can be expected to understand the importance of investing in workforce health and effective benefits delivery
- The [full study](#) is available to members of IBI. Commentary is available in Notes view.



- CFOs said they are quite concerned about the costs of medical care, with all but 7% saying healthcare costs are at least an important issue.
- At the same time, CFOs have an intuitive grasp of the effects of health on productivity and the bottom line. Fortunately, only 7% fail to see at least a moderate link.
- Unless senior financial executives make this link, there is little advantage to speaking to them about investing in workforce health as a way to drive value to the bottom line.



- To gain insight on the perceived relationship of health-related benefits programs to the bottom line, IBI asked “To what degree do you believe your employee benefits programs currently play a role in your company’s financial performance goals?”
 - ✓ Only one in four believe that benefits programs impact financial performance to more than a moderate degree. At least a majority believe, however, that there is a moderate impact of benefits programs on the bottom line and financial performance.
 - ✓ Nonetheless, there appears to be a disconnect between any direct attribution by senior financial executives of effective benefits program delivery as a stimulus to financial performance.
- CFOs need facts to demonstrate that link – metrics, measurement tools & research
- Results like this may argue against relying only on an intuitive approach to value-based benefits design.



A Key Disconnect – Indicators of Performance

CFOs

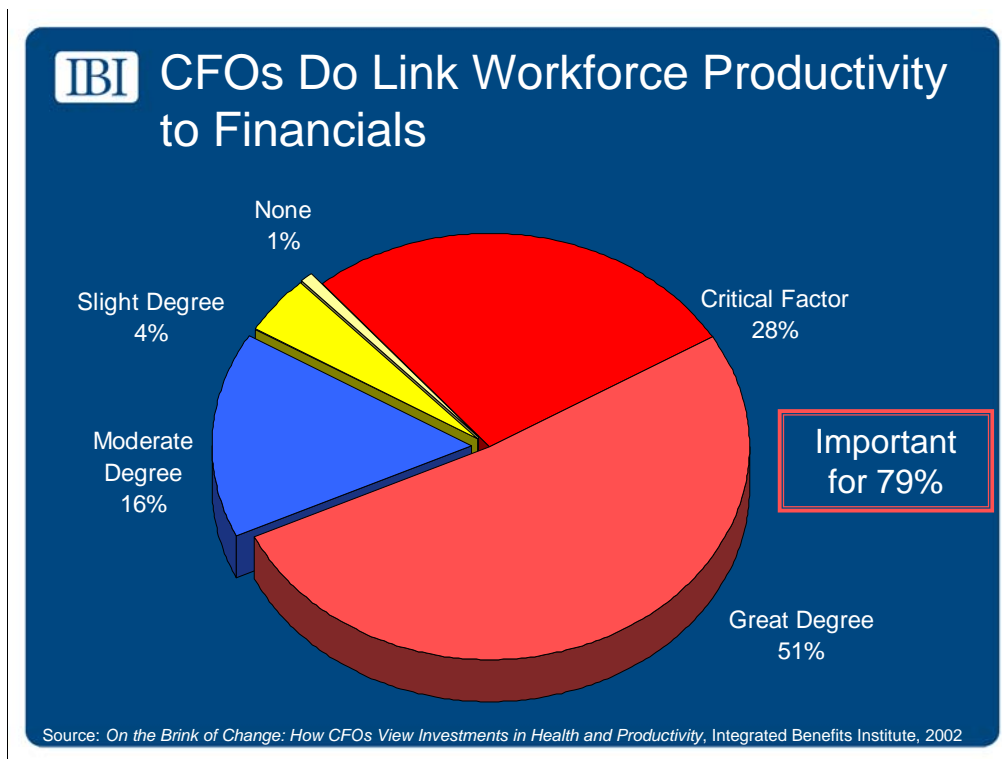
- Cash flow
- Revenue growth
- Earnings growth

Benefits Managers

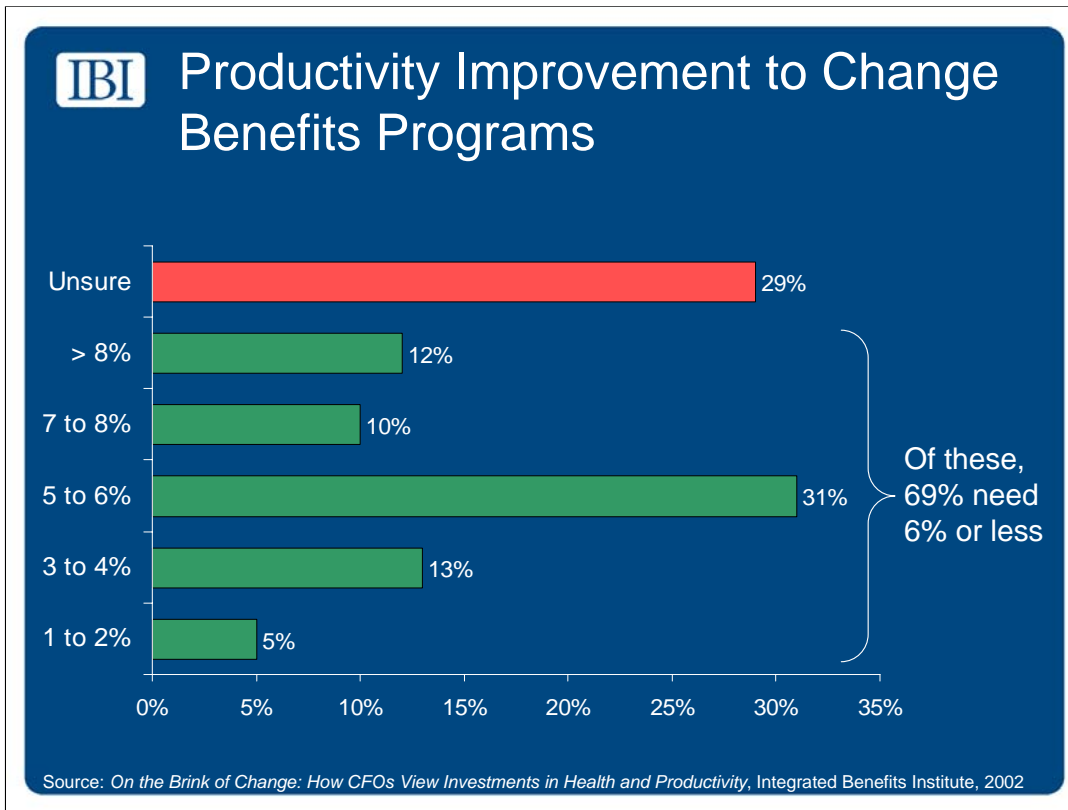
- Program cost
- Employee satisfaction
- Employee retention

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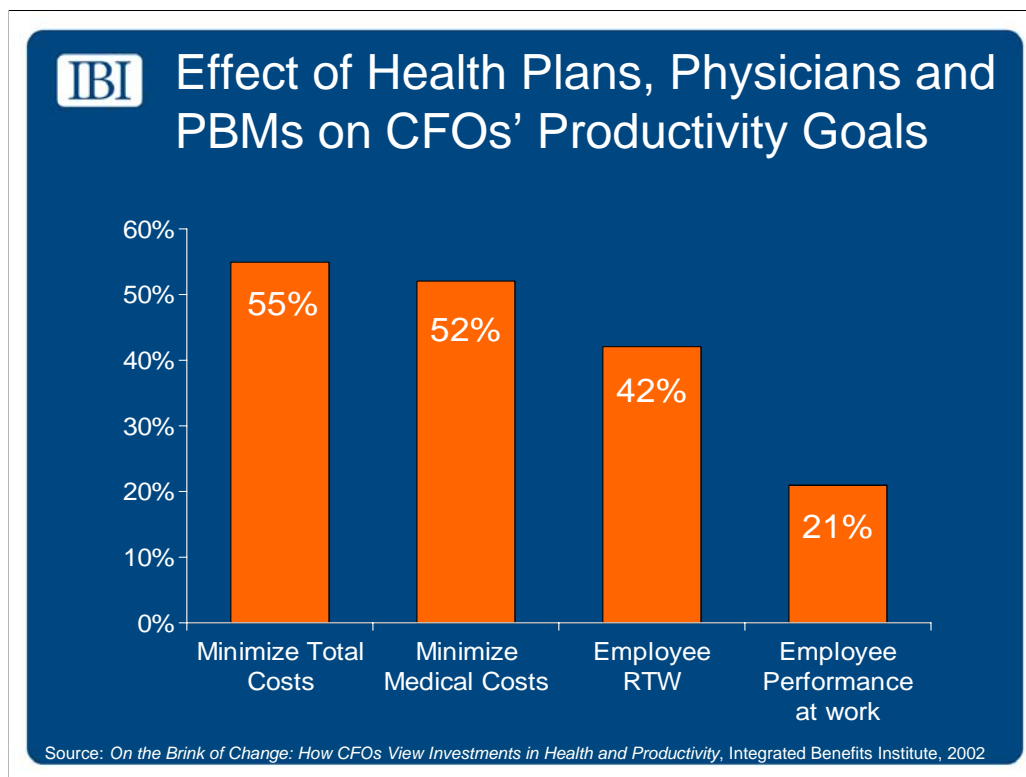
- Part of the disconnect likely results from the fact that CFOs and Benefits Managers speak a different language.
 - ✓ When asked to rank the top three measures they use to determine their own performance, senior financial executives speak in terms of cash flow, revenue growth and earnings group – measures above and below the bottom line.
 - ✓ When CFOs were asked to indicate the outcomes they believe their benefits managers measure, the answer were far different answers. They said benefits managers look at the siloed cost of the programs they manage, employee satisfaction and retention. These three measures are statistically indistinguishable and are rated much higher than fourth-ranked financial impact. In any event, the financial impact benefits managers focus on likely are in terms only of out-of-pocket benefits payments.
- Study results may help explain why CFOs don't see a strong alignment between benefits programs and the bottom line. It may be that they can't operationalize the link because the measures of benefits-program success are so different from the financial measures they use.



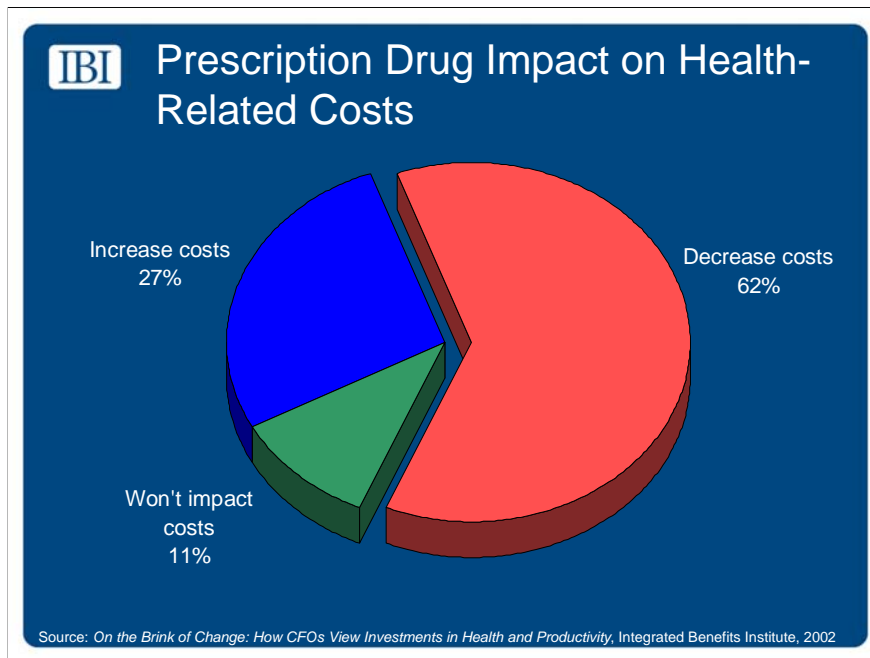
- To discover other links to bottom-line results that benefits programs and health deliver, IBI asked CFOs about the impact they thought productivity has on their financial performance indicators.
 - ✓ A strong link was found, 79% of CFO respondents noting its importance.
 - ✓ This shouldn't be a surprise, however, as CFOs are used to seeing workforce productivity as a strong indicator of financial results.
- The lesson here is that if CFOs can be shown productivity improvement from health investments, they will understand the likely impact on their bottom line. Such a context will put health and health investments into terms CFOs appreciate.
- Fortunately, CFOs are more likely to understand this connection given their basic attitudes. When IBI asked them how strongly they link benefits design and management to workforce health and productivity, 44% responded that it is a critical factor or is linked to a great degree. Another 45% said a moderate link.



- The take-home message from CFOs regarding health, productivity and the bottom line came when IBI asked what kind of return would motivate CFOs to change the way they manage benefits programs and how much “productivity increase” would prompt such a change?
- Two things stand out in their responses:
 - ✓ Nearly 30% are unsure (in fact, based on answers to another question, two-thirds cannot specify a rate of return for their benefits programs investments (a hurdle rate), at all).
 - ✓ And of those that specify a productivity improvement figure, 69% say they would need 6% or less in productivity gains to justify benefits program management changes.
 - o Many respondents indicated gains needed in the 1-4% range.



- CFOs understand that healthcare providers – defined as health plans, physicians, & prescription benefit managers (PBMs) - can affect their productivity goals.
 - ✓ More than one-third assign a great or critical role to providers in meeting CFO productivity goals
 - ✓ 71% believe they play at least a moderate role in meeting CFO productivity goals.
- In this slide the results are shown for when CFOs were asked the type of role they see for healthcare providers to affect productivity. Surprisingly top marks go to the effect healthcare providers can have on *total costs* – medical and lost time – and not just the traditional view of how they affect medical costs alone.
- Healthcare providers also are viewed as affecting other nontraditional outcomes that can have a strong impact on the productivity of the employer’s total workforce
 - ✓ Workers who are not at work because of disability
 - ✓ Or at work, but not fully productive (presenteeism).
- A surprising 81% include at least one nontraditional outcome in their expectations regarding the effect of healthcare providers on productivity.
- CFOs are twice as likely to believe healthcare providers affect CFOs’ RTW goals than reducing presenteeism – this result presents an opportunity for education.



- IBI asked CFOs about their view of the role of a pharmacy benefit in promoting health and productivity to determine they view prescription drugs as an investment in workforce health or simply as a cost.
 - ✓ 81% rated a pharmacy benefit as having at least an important role in promoting workforce health and productivity.
- In this slide, CFOs also tend to look to the pharmacy benefit as a way to decrease total health-related costs. This again shows their ability to see things in terms of “cause & effect” and to focus on both health and productivity costs.