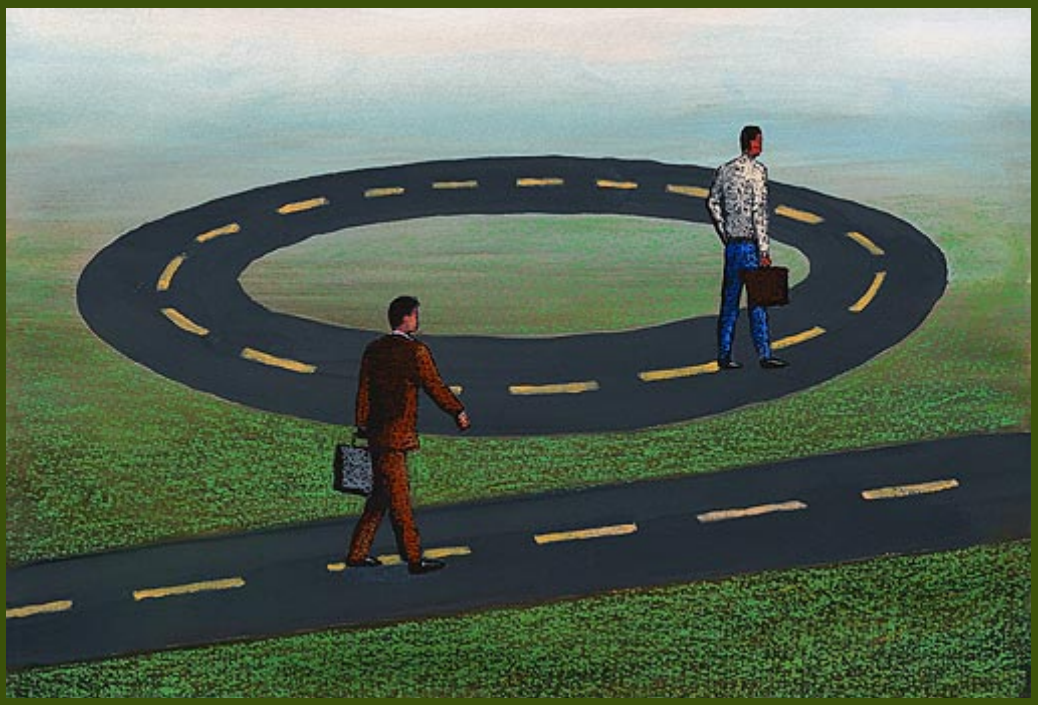
The Workplace Path to Productivity and Health

Employer Implementation of Health and Productivity Management



Research by the Integrated Benefits Institute

July 2004

IBI
INTEGRATED BENEFITS INSTITUTE

This research tracks the experience of more than 770 employers in planning and implementing 15 diverse health and productivity management (HPM) initiatives—ranging from education to prevention to post-condition management. It also examines the extent to which employers extend these practices across occupational and non-occupational benefits lines. We found that almost two in three employers are engaged in one or more HPM practices. On average, employers with HPM include six to eight practices in their programs, depending on employer size. Most practices extend across individual benefits lines, and satisfaction with HPM runs fairly high.

IBI partnered with LRP Publications in this research. IBI solicited its employer members for participation, and LRP sent announcements of the survey availability to mailing lists for its *Human Resource Executive* and *Risk and Insurance* magazines. Survey results were the subject of featured articles in both publications. LRP will also assist with a Summer 2004 survey to follow up on the survey results reported here and, further, to examine employers' responses to healthcare cost increases now and planned for the near future.

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Integrated Benefits Institute

The **Integrated Benefits Institute** is a national, nonprofit organization supported by employers, consultants, insurers, healthcare providers, disease management firms, third-party administrators, pharmaceutical companies, behavioral health providers and others having an interest in health and productivity management through integrating employee benefits. To best serve the needs of employers and employees, IBI identifies and analyzes health and productivity issues as they cut across traditional benefits programs of workers' compensation, group health and non-occupational lost time. IBI's programs include research, an integrated benefits educational forum and full-cost benchmarking to monitor benefits down and across programs and up to bottom-line business effects.

LRP Publications (www.lrp.com) has maintained a fast-paced, results-oriented environment for 25 years that has helped it expand both internally and externally. Its publications include *Human Resource Executive* and *Risk and Insurance* magazines along with more than 80 newsletters. LRP's subscribers include all types of companies, from small businesses to Fortune 500 companies, law firms, school districts, government agencies and more. In addition to its many professional resources, LRP Publications also provides high-quality training and educational development seminars, conferences and symposiums, including programs on legal issues in educating individuals with disabilities, workers' compensation and disability, and HR technology.

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Principal Findings

- **More than six in 10 respondents manage workforce health and productivity today or plan to in the future.** Of those, 90% currently offer at least one of the 15 health and productivity management (HPM) practices we survey. Size is the only distinguishing factor: 85% of the largest adopt HPM, as do almost half of the smallest employers. On average, employers with HPM adopt seven practices, with the largest employers averaging eight and the smallest averaging six.
- **Employers appear more likely to be taking an employee-centric view with regard to HPM practices than a traditional, benefits-centric approach.** Individual HPM practices are more likely than not to be offered and managed for both workers' compensation and off-the-job conditions, often with the same program.
- **None of the top six barriers to HPM identified by those with no practices in place is structural.** Top barriers cited by those with no programs—"Don't know enough" (47%), "Other business priorities" (38%) and "Lack of evidence" (27%)—can be remedied through education, information and recognition of the full costs of absence and lost productivity from ill health.
- **Initial employer interest in HPM is fueled by high medical costs and growth in benefits payments overall.** The top three employer HPM goals are broader, however, than simple healthcare cost containment and include health and absence management goals as well.
- **Isolating benefits programs from one another is less common for many employers.** Respondents are more likely than not to coordinate/integrate administrative functions and/or the sharing of information across individual benefits lines, with 58% saying they already are or are planning to do so. What's more, managing health and productivity goes hand in hand with linking benefits among respondents.
- **Almost half of those with HPM say they experienced no impediments to gaining approval for HPM practices or in implementing the program.** When employers report approval and adoption challenges, they aren't structural barriers that are difficult to resolve, such as limitations that arise from the composition of the industry or workforce. Instead, most major barriers can be overcome by education, information and communication.
- **For each HPM practice, at least 60% of employers offering the practice report that they are satisfied or very satisfied with the effectiveness of the practice.** In addition, the more practices an employer adopts, the more likely it is that the employer will be satisfied.
- **Only 25% of those managing health and productivity measure or estimate cost savings that result from any of their HPM practices.** If employers and their benefits suppliers fail to get accurate, comprehensive measures of their program's impact, their ability to expand HPM will be in jeopardy when they compete for resources against other corporate programs that have such information.

Report Contents

Background

A key purpose of IBI's HPM survey is to get behind the scenes for employers and their benefits suppliers and to take a state-of-the-art look at what different kinds of employers are doing in the area, what's motivating them, what stands in their way and what their success has been.

Employers face surging healthcare and benefits costs for conditions that arise both off and on the job. According to an employer survey by the Kaiser Family Foundation, private health insurance premiums increased 13.9% in 2003 over 2002—the ninth consecutive year of increases (the third of double-digit increases) and the largest increase since 1990.[1] At the same time, the Insurance Information Institute opines that employers can expect to see workers' compensation (WC) premium increases of about 15% in 2004, with no declines expected overall through 2005.

Although employers hope to control workers' compensation costs through statutory changes in many states, employers don't have much confidence in their current healthcare cost-control strategies. The common buzz around employer efforts to control healthcare cost excesses includes cost shifting to employees, either directly or through health savings accounts, and shopping health plans. These strategies may be tapped out, however. The employee share of the family coverage premium has already increased almost 50% in the past three years, and one-third of employers have changed either healthcare insurers or plan types.[2]

A Health and Productivity Approach

In December 2002, the Integrated Benefits Institute (IBI) published results of its survey of 269 senior financial officers[3] that demonstrate their remarkable intuitive understanding of the link among health, productivity and corporate financial success. That understanding shows a willingness to entertain a broader approach to resolving the potential crisis in healthcare costs by seeking improvements not just in healthcare cost controls but also in enhancing productivity through healthier workers. The CFO research also provides insights into the kind of information CFOs are likely to need, to approve and adopt initiatives for practices that improve the health of workers as an investment in their productivity and the corporate bottom line.

As a result of the strategic look that the CFO research takes into the potential for development of health and productivity initiatives, we partnered in 2003 with LRP Publications—the publisher of *Risk and Insurance* and *Human Resource Executive* magazines—to survey more than 770 employers on their plans to link the first two parts of the chain identified by CFOs in our survey—the managing of both health and productivity—and to assess how HPM fits with the integration or coordination of employee benefits delivery by those employers. For the purpose of the survey, we defined *health and productivity* broadly to include employer initiatives "to promote, improve and maintain employee health in a manner that considers the impact of health on absence, disability and lost productivity."

A key purpose of IBI's HPM survey is to get behind the scenes for employers and their benefits suppliers and to take a state-of-the-art look at what different kinds of employers are doing in the area, what's motivating them, what stands in their way and what their success has been. This information will assist employers in benefits planning and promote the offering of relevant, effective practices by suppliers in the marketplace.

The survey addresses six questions:

- How prevalent is HPM, and what kinds of employers are likely to adopt these initiatives?
- What are employers' goals in implementing HPM?
- Is there an interdependent role of HPM and benefits coordination or integration?
- What are the most frequent HPM programs?
- What are the key impediments to approval and implementation of HPM?
- Are employers satisfied with HPM practices, and how are results measured?

[1] *Employer Health Benefits 2003 Annual Survey*, the Kaiser Family Foundation and the Health Research and Educational Trust, September 2003.

[2] Ibid.

[3] *On the Brink of Change: How CFOs View Investments in Health and Productivity*, Integrated Benefits Institute, December 2002. <www.ibiweb.org/publications/research/33>

Survey Participants

Company Demographics

Because one of IBI's goals is to look at HPM practices by a variety of participant characteristics, we were pleased at the diversity of companies that responded to the survey, by both size and industry. Employer size becomes an important differentiator as we analyze the survey results.

- Employer respondents vary in size, with 48% having fewer than 500 full-time equivalent employees (FTEs), 36% being mid-sized employers (500 to 5,000 FTEs) and 16% with more than 5,000 FTEs (6% of the total having 25,000 or more).
- A majority of participants came from three industry groups: manufacturing (25%), healthcare (14%) and financial services (14%). Substantial participation also came from education/government (11%) and wholesale/retail trade (10%).
- Whether an employer is insured or self-insured for benefits coverage is largely dependent on employer size. Overall, participants tend to use some form of insurance for workers' compensation, group health and long-term disability. They tend to be self-insured for short-term disability (STD).
- As to other demographics for respondent companies, 18% of the workers are over age 55, 52% are male, 15% are unionized and 47% are white collar.

Respondent Demographics

Survey respondents represent a fairly high level of authority within the organizational hierarchy.

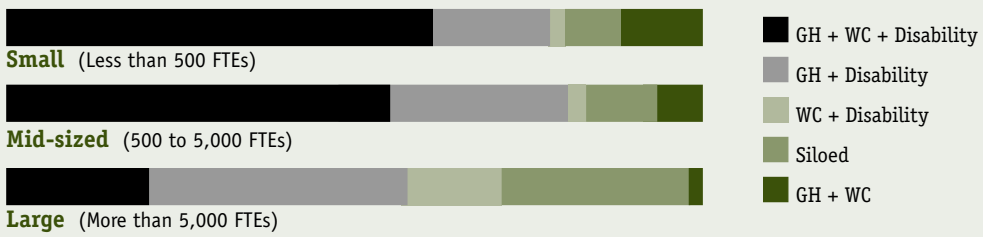
- Upper management/vice president comprises 23% of respondents, whereas directors and managers constitute 34% and 27% of respondents, respectively. Administration/implementation constitutes 11%, and "other" makes up 5% of total respondents.
- Respondents also are likely to exhibit substantial administrative involvement across benefits programs. Not surprisingly, benefits program administrative duties vary significantly by size of employer. Respondents who work for small employers are most likely to have substantial administrative involvement that crosses benefits lines—all but 8%. Smaller companies may not have the resources to specialize their benefits administration. Even for the largest employers, however, 73% have administrative duties that transcend individual benefits silos.

Participants by Industry

Manufacturing	25%
Healthcare	14%
Financial services	14%
Education/ government	11%
Wholesale/ retail trade	10%
Other industrial processing	5%
Transportation/ warehousing	4%
Other services	3%
Other	14%

Responses from even the largest employers reflect broad administrative involvement for respondents. Although it is impossible to state the nature of this "substantial administrative involvement," these results may reflect a trend to broaden coordination of benefits program administration or may simply demonstrate the relatively high reporting level of many of the respondents. Because there is little difference in the hierarchical level of respondents by employer size, we can't tell from the data.

Administrative Responsibility of Respondents



Interest in Health and Productivity Management Practices

A principal purpose of the survey is to identify the extent to which employers are adopting health and productivity management practices. IBI assesses the development and implementation of 15 HPM practices that we identified with the help of a panel of experts (see page 20 for definitions of the practices):

1. Disease management
2. Health risk appraisals
3. Wellness
4. Preventive care incentives
5. Ergonomics
6. Nurse care hotline
7. Employee decision support tools
8. Incentives/cost chargebacks to organizational units
9. Employee benefits education
10. Early/expedited claim reporting
11. Nurse case management
12. Medical treatment/disability duration guidelines
13. Physician absence management/ return-to-work training
14. Return-to-work accommodation program
15. Employee education about return-to-work opportunities

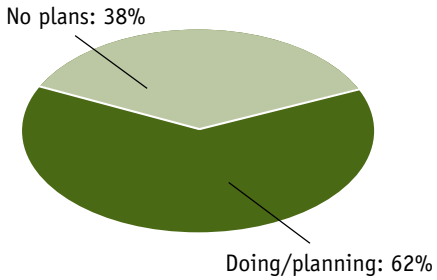
HPM Implementation

We deal with issues around each HPM practice later in the report, but first we assess how broadly employers are embracing HPM techniques overall. Is HPM the purview only of large, relatively sophisticated employers, or are HPM practices entering the mainstream of employer benefits delivery and administration?

In the survey, we asked employers whether they are implementing or plan to implement each practice. More than six in 10 tell us they are managing health and productivity today or plan to do so. We also find that 90% of the "Doing/planning" group is already managing health and productivity.

Managing Health and Productivity

Percentage Implementing or Planning to Implement HPM Practices



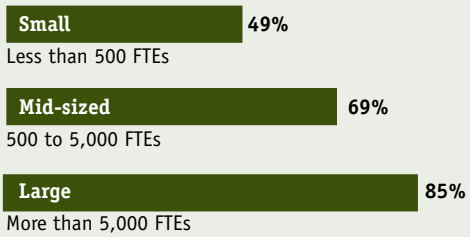
When we control statistically for employer characteristics that might explain the difference between employers willing to manage health and productivity and those that have no plans, we find only one key employer factor that distinguishes the two groups: size of employer by number of employees.

Not significant as differentiators are industry, respondent's program responsibility, public versus private ownership, insurance status, workforce demographics and unionization.

But even the smallest employers are adopting HPM practices to a remarkable degree. Almost half of the smallest employers are engaged in HPM, with nearly seven in 10 of the mid-sized employers doing so along with 17 of 20 of the largest employers.

HPM by Employer Size

Percentage of Employers Offering HPM— by Company Size



What Are the Barriers?

With such a large proportion of employers engaged in HPM, what is holding the others back? We asked those employers with no HPM plans why they currently aren't pursuing an HPM strategy.

The top two barriers are "Don't know enough" and "Other business priorities." It is important to note that none of the top six barriers they identify is structural in nature; that is, can't be remedied through education and information. Worst case, it may be that these employers don't know where an HPM strategy should fit into their business priorities or resource allocations. With the proper information about what absence and inefficiencies truly cost employers, however, this attitude can be expected to change.[4]

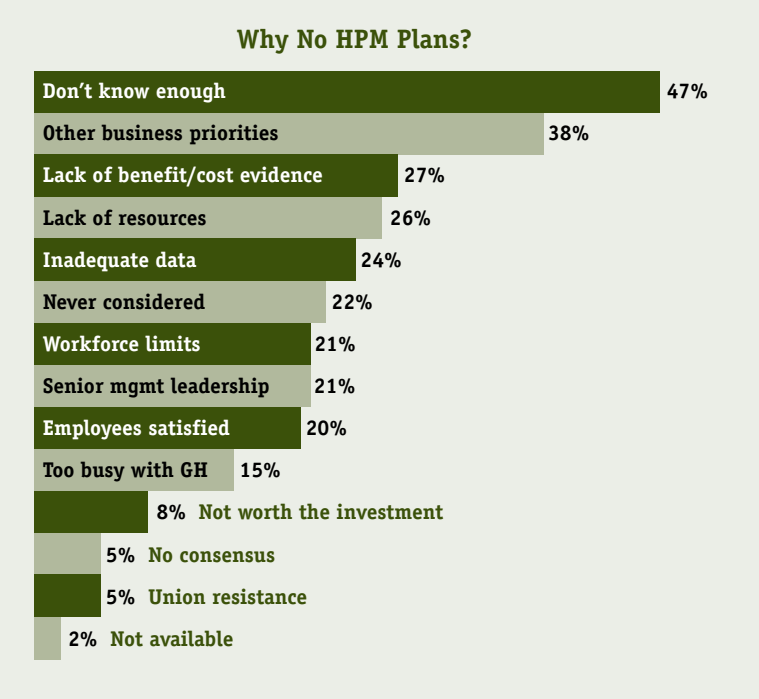
It isn't until we're past the top six barriers that we reach impediments to HPM implementation that are structural in nature and that *could* interfere with HPM development for these employers over the longer term. Structural impediments include "Workforce limits" (that is, workforce composition issues such as a large part-time workforce or high turnover) and, to some extent, "Lack of senior management leadership/ understanding" and "Employees satisfied with current program."

We don't know if these respondents previously have tried and failed to implement HPM or have eliminated programs that once were in place. Based on the most prevalent answers, however, it is doubtful that many of the respondents have spent much energy attempting to implement HPM in the past.

Barriers to HPM by Company Size

The number one barrier to HPM plans for small and mid-sized employers is "Don't know enough" about it. That barrier is only the sixth ranked, however, for large employers. Although there aren't enough employers in this group of "No HPM" respondents to have the differences among different-sized employers for these two barriers be statistically significant, it appears likely that large, more-sophisticated employers have benefits managers who have heard of the concept, whereas smaller employers have too little information about HPM to interest them.

For large employers, the top impediments to HPM are "Other business priorities," "Inadequate data to justify change" and "Can't get consensus among different benefits managers." Based on these barriers, it is apparent that large employers are likely to know about HPM. For these 15%, however, interdepartmental disagreements, lack of internal metrics to understand current costs and justify change, and the press of other business priorities are stoppers for their HPM plans.



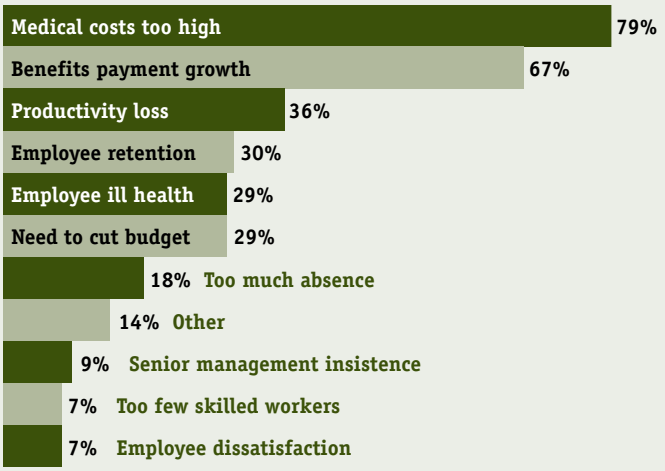
[4] "The Business Case for Improved Benefits Delivery," *IBInform,* Integrated Benefits Institute, June 2004. <www.ibiweb.org/publications/research/42>

Drivers of HPM Interest

We wanted to know what first prompted an organization's involvement in HPM and then look to see if the goals for the HPM strategy changed as the programs developed. Employers clearly got a jump-start in their HPM efforts by surging medical costs, whether recently or in the early 1990s. But "Growth in benefits payments," a factor that cuts across both medical and absence/disability programs, also is a prominent stimulus to HPM development. In fact, 59% of respondents cited both as HPM drivers.

"Productivity loss," the third most important factor, clearly reflects employer concern with the full costs of poor health—a particular concern among the large employers in the sample. "Employee retention concerns" and "Employee ill health" are much more important to respondents than is "Declining availability of skilled workers to hire." This may demonstrate that employers value their own workers' being at work more than the theoretical ability to replace skilled workers from outside the company. They don't want to lose productive workers and have to replace them, whether through injury or illness or because they found a better job or employer.

What Prompted HPM Interest?

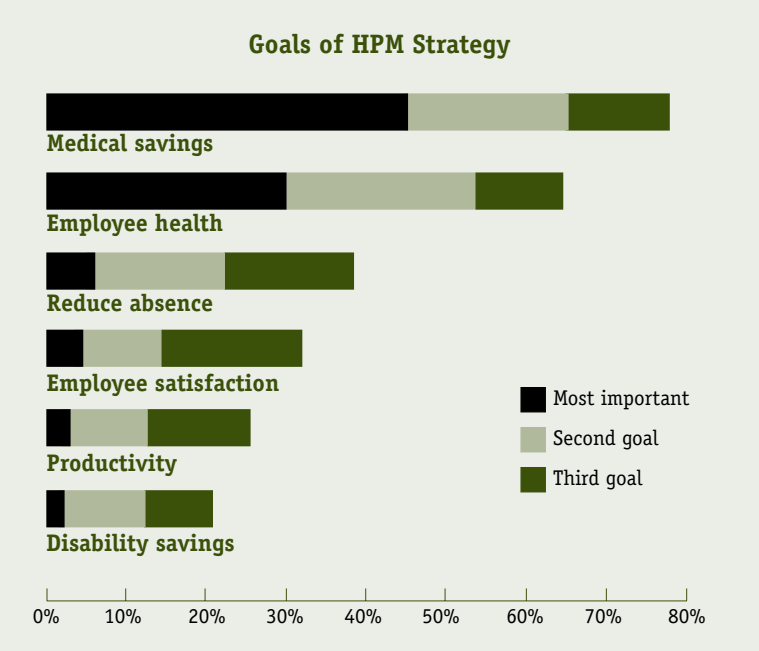


Program Goals

Not surprisingly, the goals of HPM programs generally reflect the problems that prompted initial interest. Respondents' goals of medical savings and employee health respond perfectly to the stimulus of high medical costs, growing costs of benefits and employee ill health. The consistency between the third goal of reduced absence and the drivers of productivity loss and employee retention concerns shows that these responses by benefits and risk managers track better with reality than did the responses by CFOs in an earlier IBI study.[5]

Although CFOs view attracting, retaining, motivating and training employees as their top four workforce challenges, CFOs apparently don't readily appreciate that managing absence and disability is an effective strategy to use in meeting those same challenges. Perhaps benefits and risk managers need to do a better job of educating senior management about the realities of valuing human capital and the leverage that human capital can have on corporate revenue.[6]

Other disconnects occur, however. Although productivity loss and employee ill health helped drive initial HPM interest, only 17 respondents (3.6%) indicate that presenteeism (decreased performance on the job due to ill health) is one of their top three improvement goals, and none lists it as most important. This result roughly tracks the CFO response.



When CFOs are asked to identify roles for providers (health plans, physicians and pharmacy benefits managers) in affecting productivity, they are much more likely to identify a role for providers in minimizing total costs (55%), minimizing medical costs (52%) and affecting employee return to work (RTW) (42%) than they were for promoting employee performance while at work (21%).

This apparent lack of awareness may come as a result of the relative difficulty of measuring the actual productivity effects of presenteeism compared with the more obvious effects of employees off work on absence or disability.

[5] *On the Brink of Change*.

[6] "The Business Case for Improved Benefits Delivery."

How Employers Link Benefits Programs

Another key purpose of this survey is to determine how health and productivity management relates to integrating/coordinating benefits programs across individual benefits lines. We next look at the willingness of employers to communicate across programs and see if this tendency relates to HPM.

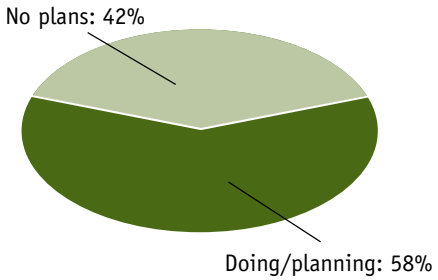
We asked participants the extent to which they link benefits by one of two methods:

- **Coordinating:** Benefits programs share information among benefits management units as part of claims management
- **Integrating:** Programs managed together with a single approach to a common goal

Considering that much of the sample was drawn from visitors to two Web sites for traditional benefits program magazines (*Risk and Insurance* and *Human Resource Executive*) and the HPM focus of the survey, the results show a high level of employer interest in coordinating or integrating their health-related employee benefits programs. Of the entire sample of 770 employers, 58% say they either coordinate or integrate their benefits programs across individual benefits lines or are planning such a linkage.

Linking Benefits Delivery

Percentage Coordinating or Integrating Benefits Packages—or Planning to

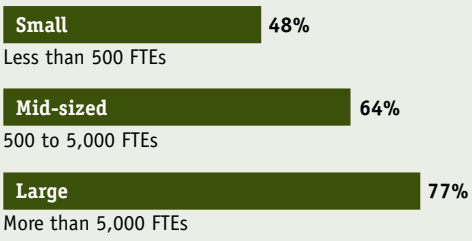


Based on the information in the survey, we can't be sure what employers are actually doing across individual programs. The range of activity can extend to a simple sharing of information among program managers to establishing a shared data management program. It can involve common purchasing or a common vendor. It also could extend to cross-functional task forces to reduce potential conflict among program goals or to establishing a single claim intake program or actually managing claims under a common program.[7] We will conduct another survey in partnership with LRP Publications in the summer of 2004. As part of that employer survey, we will gather more data about the practices that employers are linking and the means by which coordination/integration is occurring.

We assessed employer interest in linking benefits by size of employer, similar to our analysis of employer interest in HPM by size. We find that there is a strong (and statistically significant) size effect on the appetite of employers to link benefits similar to the size effect we found with regard to establishing HPM practices.

Interest in Linking Benefits

By Employer Size



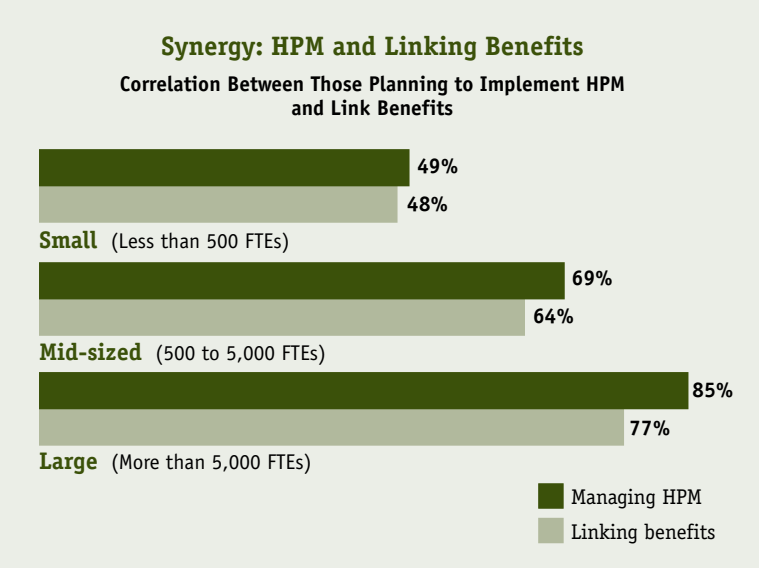
Not only do most employers seek to link benefits overall, but for even the smallest category of employer almost half say they coordinate or integrate benefits by some

[7] *How Employers Look at Integrating Health and Productivity Management: A Survey of Integrated Benefits Best Practices*, Integrated Benefits Institute, January 2002. <www.ibiweb.org/publications/research/29>

means. Based on the prevalence of integration across employer sizes, it appears that working in isolated benefits silos, where leaders of the various benefits programs don't even share information, is becoming a relatively uncommon artifact of the past.

Of the 37% of total respondents who say they already integrate, slightly more than half integrate their short- and long-term disability programs. It is not surprising that this is the most common integrated program in that these group disability programs are often managed by the same organizational unit within an employer—and sometimes by the same insurer or third-party administrator.

Putting the two graphs together—HPM by size and benefits linkage by size—demonstrates a strong similarity in each size class. Further, there is a strong and statistically significant relationship between employers that plan to manage health and productivity and also plan to link benefits; that is, they tend to go hand in hand, and this relationship is closely tied to employer size.



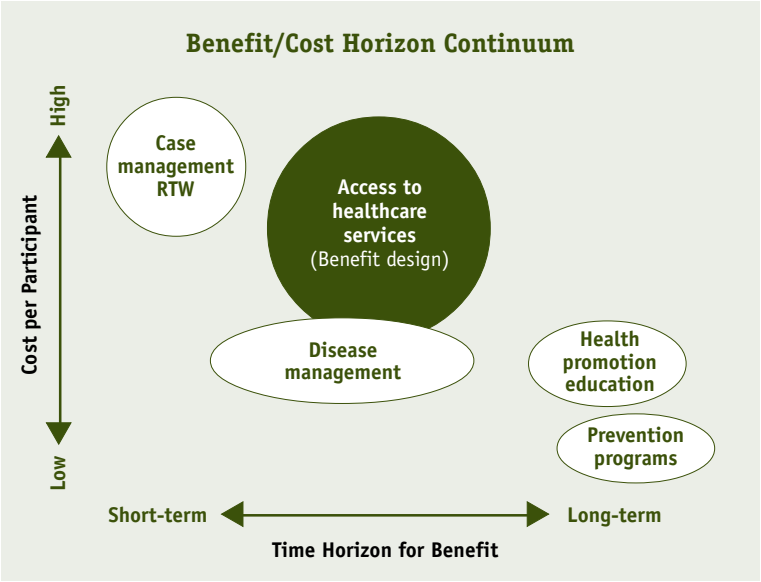
Given this backdrop, what are employers actually pursuing by way of managing the health and productivity of their workforces? We group HPM practices by whether they are primarily preventive or post-condition management in nature. We also identify two patient/consumer assistance HPM practices (see page 20 for definitions of the practices):

Prevention:

1. Employee benefits education
2. Ergonomics
3. Health risk appraisals
4. Incentives/cost chargebacks to organizational units
5. Preventive care incentives
6. Wellness

Consumer Assistance:

1. Employee decision support tools
2. Employee education about return-to-work opportunities



Source: Berger, M., et al., "Investing in Healthy Human Capital," *Journal of Occupational and Environmental Medicine*, Vol. 45, No. 12, December 2003.

Post-Condition Management:

1. Disease management
2. Early/expedited claim reporting
3. Return-to-work accommodation program
4. Medical treatment/disability duration guidelines
5. Nurse care hotline
6. Nurse case management
7. Physician absence management/ return-to-work training

There is room for disagreement about the groupings. For example, many employers may see disease management not as a management tool but as a tool to *prevent* conditions such as diabetes from developing into much more serious conditions such as kidney failure or blindness.

HPM Practice Characteristics

The programs surveyed run the gamut. We ask about such primary prevention programs as employee education, ergonomics and health risk appraisals as well as tools for preparing physicians, such as education programs, to help them set employee expectations and give physicians basic information about transitional employment opportunities. We also probe to assess tools that employers use when employees suffer illness or injury, such as expedited reporting and treatment, nurse care hotlines, employee decision support tools, and treatment and disability guidelines. Finally, we tally employer efforts to manage disability when it occurs and to minimize unnecessary absence and disability through nurse case management and return-to-work in transitional jobs.

The diagram at left illustrates how different practices lay out across the spectrum of costs and immediacy of returns for types of HPM programs. The vertical axis shows how implementation costs per participant change for

various programs, and the horizontal axis shows the time period within which beneficial results may be anticipated. Prevention and health risk management tend to offer lower-cost interventions, but many years may be required for benefits to be apparent. Post-injury case management and return-to-work efforts are likely to be higher in cost but can deliver results more quickly.

Extent of Adoption of HPM

We find that 62% of employers implement HPM or are in the planning stages, but for this to be meaningful we need to know which programs commonly are adopted and how often they are put in place.

Program Prevalence

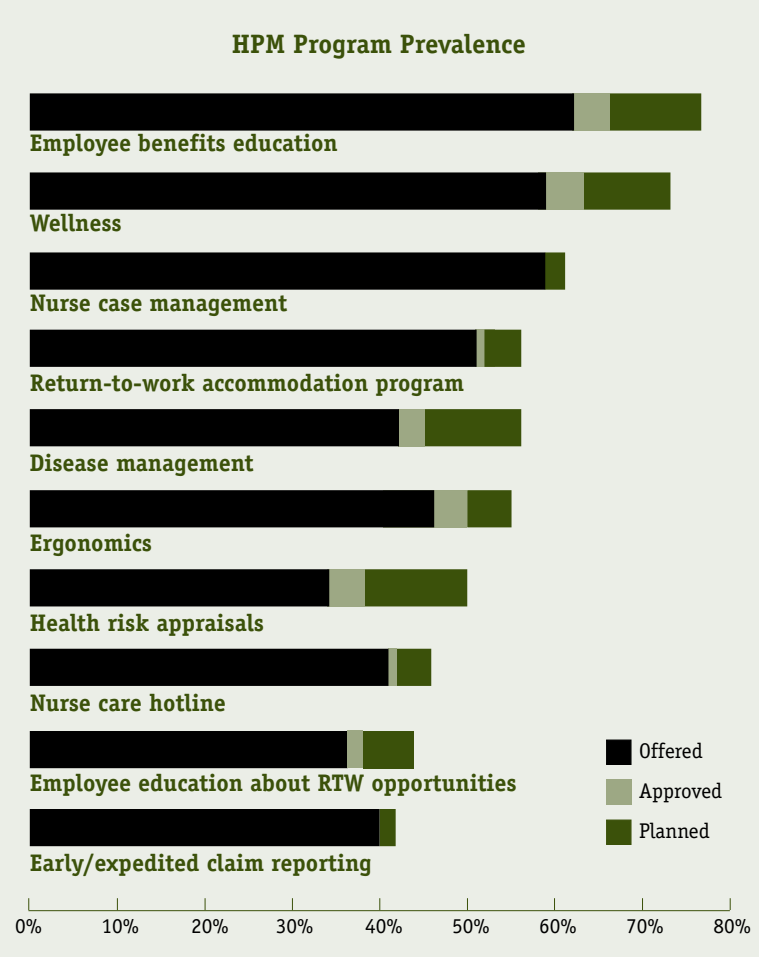
Among the 10 most prevalent practices, we find a mix of those that have both high and low implementation costs together with a variety of practices that have both short-term and longer-term payoffs.

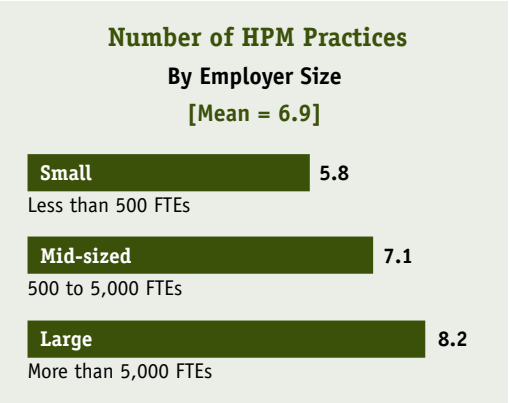
Some of the practices, such as employee benefits education and wellness, may come as part of the enrollment process and group health coverage that is provided by every respondent to the survey. (We will also explore this question in our 2004 survey in partnership with LRP.) But that can't be the whole answer with regard to the relative prevalence of HPM practices. A nurse care hotline also is a relatively common group health offering to employees, but it resides far down the list.

On the other hand, programs like nurse case management and return-to-work accommodation are relatively common yet exist independent of group health offerings.

Number of Practices

We ask how many of the 15 HPM practices respondents adopt. Given the breadth and diversity of the practices that we investigate, it is surprising that, on average, employers adopt seven HPM practices. The smallest employers have six on average, mid-sized employers adopt seven and the largest say they include eight HPM practices in their health and productivity programs.





The greatest surprise is the extent to which small employers say they embrace HPM. It may be that they believe they are receiving some of these programs through the group health programs they all offer, but it is not clear from the survey data.

HPM Practices by Employer Size

We next take a closer look at the practices employers offer or are putting in place, depending on their size.

Large Employers

On average, large employers typically adopt eight HPM practices. Among the top eight we find that nurse case management is the most common, with seven in 10 large employers adopting the practice. The least common of their top eight practices—nurse care hotline—still is used by about half of the large employers that manage health and productivity. Large employers appear to be primarily oriented toward managing conditions after they occur—representing five out of eight practices. These are the most expensive interventions, but they also have the greatest payoff in the short term.

Although wellness and ergonomics make the list, three preventive practices do not: health risk appraisals, preventive care incentives and employee decision support tools. When we add practices that employers say they plan to adopt, health risk appraisals moves to eighth place, however.

Mid-sized Employers

We similarly analyze the frequency of HPM practices for mid-sized employers, compiling a list of the most frequent seven practices likely to make up the typical HPM program for mid-sized employers. The list is similar to that for large employers but rearranged in order of frequency. The most common practice for mid-sized employers is employee benefits education that informs employees about the health and wellness services available and educates them about how absence and disability can impact them and their employer. This is primarily an employee-culture management tool.

Compared with the list of practices adopted by large employers, no new practices appear on the mid-sized employer list, and medical treatment/disability duration guidelines drops off the top-practices list. Perhaps mid-sized employers haven't the leverage with their health plans and community physicians to use medical treatment and disability duration guidelines as a management tool. This failure to provide guidelines runs afoul of IBI's 2002 survey report on the resources physicians say they need to be willing and able to manage disability. That survey shows that 57% desire absence guidelines and 42% want medical protocols to help them deliver appropriate medical treatment.[8]

Post-injury/illness management together with tertiary prevention through disease management still account for four of the seven practices they adopt. Mid-sized employers also commonly fail to adopt three preventive practices that are low cost but have a distant horizon for payoff: health risk appraisals, preventive care incentives and employee decision support tools.

HPM for Large Employers

Nurse case management	71%
Medical treatment/ disability duration guidelines	69%
Wellness	66%
Employee benefits education	65%
RTW accommodation program	63%
Disease management	62%
Ergonomics	54%
Nurse care hotline	49%

HPM for Mid-Sized Employers

Employee benefits education	66%
Nurse case management	66%
Wellness	61%
RTW accommodation program	59%
Ergonomics	52%
Nurse care hotline	47%
Disease management	46%

[8] *Physicians Managing Disability: Identifying Opportunities and Constraints*, Integrated Benefits Institute, April 2002. <www.ibiweb.org/publications/research/31>

Impediments to Health and Productivity Management

Knowing what programs employers commonly have in place is only part of the puzzle. The hurdles that they must overcome to get the practices approved and implemented tell an important story for other employers seeking to adopt HPM or for suppliers interested in marketing practices to employers.

We previously discussed the reasons why those with no practices in place have not done so. It is important to keep in mind that the following section reflects the experience only for those who have gotten senior management approval for their practices or who have successfully implemented HPM programs. The impediments *were not fatal* to their efforts.

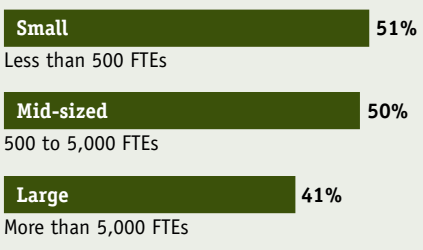
Barriers to HPM Approval

We first ask employers with HPM practices about impediments to their getting approval in the first place. About half the employers, across all size ranges, report "no impediments" to getting approval to go ahead for *all* of their HPM initiatives.

It appears that large employers have more trouble than smaller employers in getting approval. Given that large employers have more HPM practices, however, and given the statistical correlation between number of practices and number of impediments, there is very little actual difference in approval impediments across employer size classifications.

No Impediments to HPM Approval

By Employer Size



When Impediments Exist, What Are They?

When impediments to approval exist, they differ by employer size. The top four impediments are shared by mid-sized and larger employers but in a different order. About 40% of the large employers say they needed more information on the benefit/cost equation of the initiative, and about the same percentage needed additional organizational/financial resources (presumably to be able to handle multiple priorities).

Common Approval Impediments

Large Employers

- Benefit/cost evidence
- Organizational resources
- Other priorities
- Employee satisfaction

Mid-sized Employers

- Employee satisfaction
- Organizational resources
- Benefit/cost evidence
- Other priorities

Impediments to approval are less concentrated for mid-sized employers than for larger employers. Respondents cite employee satisfaction with their current program most frequently, but by only 20% of mid-sized respondents, compared with the 40% of large employers that cite their top approval impediment. A lack of financial and other organizational resources and benefit/cost evidence follows as impediments to approval.

Two other findings are noteworthy. Overall, an absence of executive leadership/understanding is mentioned as an impediment by a larger proportion of all employers (18%) than is union hesitance for all unionized employers (11%). Union representatives have voiced consistent support at IBI forums for working with employers to create initiatives that foster health and productivity of workers.

We also find that where employers have at least one program in place, there are few instances where the employer tells us it could not get approval for another of the 15 practices. Either the benefits program managers

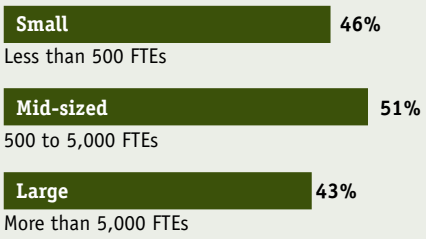
are selective about what they are willing to take to senior management for approval, or some senior management "get it" and are likely to approve other HPM programs brought to them if they are willing to approve one.

Barriers to HPM Implementation

The second area in which we ask about barriers is in implementing the HPM programs—after approval is given. Again, these are employers that actually have their HPM practices in place.

No Impediments to HPM Implementation

By Employer Size



Here too we find that many employers report no impediments to putting an approved program into place. Further, the lack of impediments is similar across employer size.

When employers identify impediments to putting their practices in place, they are more likely to be similar for mid-sized and larger employers than are the approval impediments.

Common Implementation Barriers

Large Employers

- Employee understanding
- Internal communication
- Building database
- Finding vendor

Mid-sized Employers

- Employee understanding
- Internal communication
- Other priorities
- Finding vendor

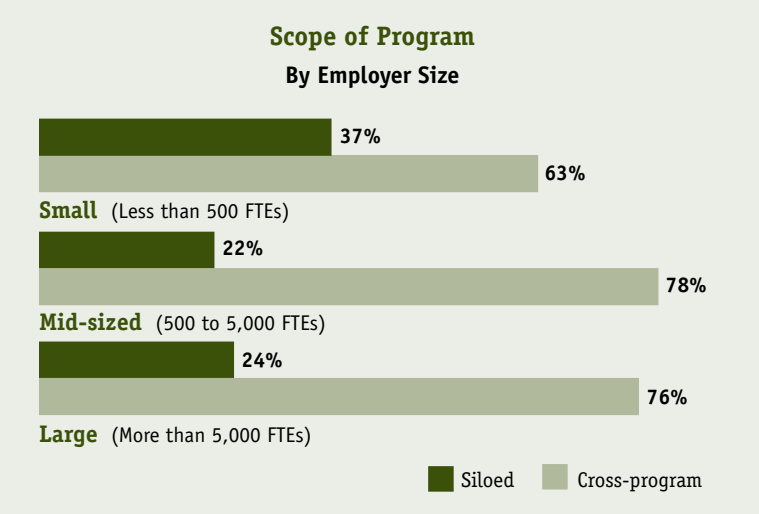
In both cases, the impediments employers note come back to the need for solid communication as part of the implementation process—in both communicating to employees who need to understand the new practice and internally to other managers and affected parties. For large employers, 40% cite employee understanding of the new program as a barrier to implementation, compared with about 30% of the mid-sized group of employers.

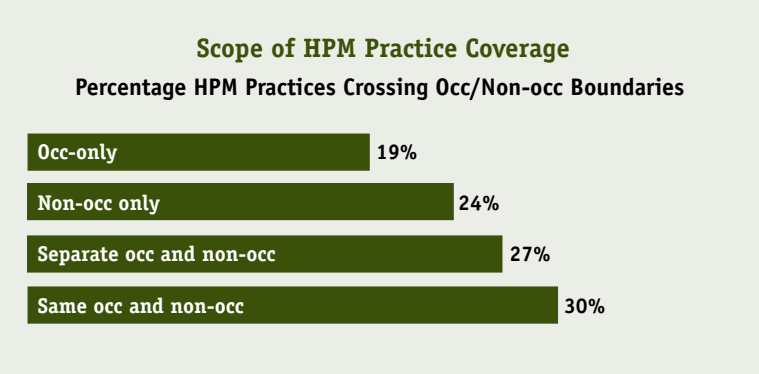
Finding the right vendor is the fourth-highest ranked impediment to implementing programs for both mid-sized and larger employers. Not included among the top four barriers to building an approved program is union/employee resistance, unexpected costs and turf.

HPM Programs Across Benefits Silos

We note earlier that offering HPM is likely to go hand in hand with an interest in sharing information or coordinating programs across individual benefits lines. To help us understand how this attitude affects administration of HPM practices, we asked employers the extent to which their HPM practices extend across administration of workers' compensation and non-occupational injury or illness. We find that employers in all size classes tend to cross benefits lines frequently with at least one of their HPM activities, and the average proportion of employers with cross-program HPM practices is 72%, across all employer sizes.

The results show that these employers say they are taking a more employee-centric view of their HPM strategies as opposed to a benefits-centric approach. Crossing benefits administration boundaries with even one HPM practice opens the door to expansion of the concept, especially given the prevalence among employers with HPM practices to take a coordinated/integrated approach to benefits administration.





HPM Across the Great Divide

What may be more noteworthy, however, is the extent to which practices extend *across* WC and non-occupational conditions and whether employers extend the same HPM practice design across that boundary. We find that more practices extend across occ/non-occ boundaries than stay in their individual silos. Perhaps more telling is that for 30% of the practices, the same program is implemented regardless of cause. Practices that are applied only to WC conditions are the least common, followed by practices limited only to conditions that occur off the job.

This finding about the relative frequency of the same program being in place for WC and off-the-job conditions complements and reinforces our earlier finding that HPM implementation correlates with benefits coordination/integration. Employers say they are willing to look across occupational and non-occupational programs in the delivery of HPM programs, increasingly adopting an employee-oriented human capital model as the focus of their benefits delivery programs.

Despite complications of size and decentralization, however, it is large employers that are most active in establishing the same program for both occupational and non-occupational conditions, at nearly 40% of all HPM practices they implement. Perhaps this reflects their relative sophistication and the availability of resources with which to recognize and battle growing problems of health and productivity in the workplace. Large employers also told us in earlier surveys that they are particularly interested in enhancing worker productivity through minimizing the impact of absence,[9] and the management of HPM across individual benefits lines may be a further manifestation of this attitude.

[9] *Employer Benefits Integration Strategies: Does One Size Fit All?"* Integrated Benefits Institute, March 2000. <www.ibiweb.org/publications/research/18>

Employer Satisfaction

As with so many things in life, the real question after all is *How happy are you with the results?* We ask employers how satisfied they are with each of the practices they implement, ranging from extremely satisfied to very dissatisfied. We determine the results across all practices for the employers that implement practices.

The result is a bell-shaped curve skewed heavily to the "satisfied" end of the spectrum with a long tail to the left.

This means that very few employers are extremely dissatisfied with their HPM practices overall. It also means that there is room for improvement in reaching a maximum level of satisfaction. For each practice, however, at least 60% of employers (more than 70% for eight of the practices) report that they are satisfied or extremely satisfied with the effectiveness of the practice (rated a 4 or 5 on a five-point scale).

Finally, there is a strong, positive correlation between the number of practices that an employer adopts and the degree of satisfaction with which the employer rates each practice. To some extent, this result is intuitive: unless the results with initial practice implementation are satisfactory, an employer is unlikely to adopt more HPM programs. Conversely, there may be a "practice makes perfect" effect going on here, indicating a strong and successful commitment to this way of doing business for those involved in health and productivity management.

Measurement: The Final HPM Frontier

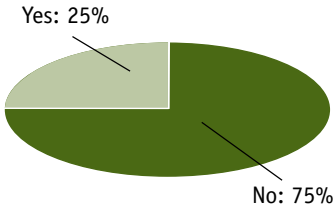
As with so many of IBI's surveys, the final set of questions tries to determine the state of the art regarding hard measurement by employers—here, of their HPM results.

IBI's CFO research demonstrates the importance that CFOs place on the effect on productivity in assessing the performance of benefits programs and in linking health to the financial success of the company.[10] As a result, in the HPM survey we ask respondents if their company measures productivity. We find that 57% of those that manage health and productivity also measure productivity—most commonly in terms of revenue per measure of time worked. Unfortunately, we also find that fewer than 20% of those that measure productivity express HPM program results in productivity terms, thereby missing a link that IBI research shows is important to the CFO.

[10] *On the Brink of Change.*

Measure/Estimate HPM Results?

Percentage Measuring or Estimating Cost Savings Resulting from HPM Practices



We then focus in the HPM survey on respondents' direct measurement of their HPM results. We find the troubling result that only 25% of those managing health and productivity are measuring or estimating cost savings that result from *any* of their HPM practices.

Although the numbers are small, we find that larger employers are more likely to measure HPM results than are other employers.

Measurement of the impact of HPM programs and other benefits initiatives is the biggest continuing challenge to changing the price-based, siloed focus to delivering benefits, for both employers and their benefits vendors. As respondents to this survey note, interest in or approval of HPM initiatives can often be jeopardized by a lack of financial or other resources and by the demands of other business priorities. If employers fail to get accurate, comprehensive measures of the impact of their HPM programs (preferably not only in terms of program cost but also in the context of the measures such as productivity that are important to the company's financial success), benefits improvement programs will be in danger of being bypassed when placed for approval alongside programs where such information *is* available.

Conclusions

A September 2003 article in the *Journal of Occupational and Environmental Medicine*[11] sought to wake up corporate America to startling healthcare predictions from various sources that will have a strong impact on employer resources:

- Workers 55 years of age or older (those requiring the largest proportion of employer-covered medical costs) will increase 42% in the workforce in six years to 25.8 million.
- Overweight and obesity are associated with serious clinical diseases, and almost seven in 10 Americans are overweight or obese.
- Forecasts for 2001 to 2005 predict *annual* healthcare cost increases of 15% to 17%.
- The maximum healthcare cost increase that 50% of employers in 2002 said they could tolerate is 8%.
- Per-employee cost for family healthcare coverage will amount to $14,500 by 2006, up from $7,900 in 2002.

Almost four in five employers responding to our survey say that their interest in HPM is prompted by their belief that medical costs *already* are too high today. As might be expected, their HPM goals are medical savings, but the second-ranked goal is employee health.

Given the challenges employers are beginning to realize they are facing, it shouldn't be surprising that the survey finds that interest in health and productivity management is both high and broad across all sizes of employers. The practices in place, however, go far beyond affecting medical costs and commonly include post-injury/illness case management and return-to-work accommodation that affect disability and worker productivity.

Employers also tell us much about the benefits delivery environment in which HPM is offered. Respondents say they have significant interest in integration and coordination across individual benefits programs, but we will do more work in 2004 to help us define the specific nature of that interest. This coordination of effort also is apparent in the manner in which HPM practices are being delivered—even to the extent that the same program often is extended and managed across occupational and non-occupational benefits programs. As part of this trend, we see the previous focus on benefits programs in silos breaking down and being replaced by an employee-centric or human capital focus in the approach employers are taking toward their benefits programs and the health and productivity of their workforces.

Surprisingly, almost half of employer respondents, particularly mid-sized and above, report no impediments to approval for or implementation of HPM practices. When impediments to adoption and building HPM practices and programs are reported, most major barriers can be overcome by education, information and communication.

Surprisingly, almost half of employer respondents, particularly mid-sized and above, report no impediments to approval for or implementation of HPM practices. When impediments to adoption and building HPM practices and programs are reported, they aren't the kind of structural barriers that are difficult to resolve, such as limitations that arise from the composition of the industry or workforce. Instead, most major barriers can be overcome by education, information and communication. Although employer size is the single, major differentiator among employers able and willing to adopt HPM, smaller employers also show substantial interest and involvement in HPM.

Finally, HPM adoption until now has likely been based on the intuitive appreciation of health and "doing the right thing." As employers seek to take the next steps in implementing a complete program of prevention, education and management of health conditions, they will be competing for scarce corporate resources. It is essential that champions of HPM come to senior

[11] Whitmer R., Pelletier K., Anderson D., et al., "A Wake-Up Call for Corporate America," *Journal of Occupational and Environmental Medicine,* Vol. 45, No. 9, September 2003, pp. 917–20.

management for the necessary approval to expand their programs armed with effective data that demonstrates results from the practices already in place.

Thus far, few employers have demonstrated the capacity to do so. It is likely that benefits suppliers will be importuned to assist or even spearhead employer efforts to develop the data collection and effective demonstration of results. Such efforts by employers and their suppliers alike are necessary to move HPM forward as an aging workforce further challenges the ability of employers and their employee partners to maximize human capital that is so necessary to the information economy of the twenty-first century.

Appendix

Definitions

Definitions of the 15 health and management practices addressed in this report

Disease management	Condition-specific healthcare education and case management interventions
Health risk appraisals	Screening for physical and behavioral health risk factors to target healthcare services
Wellness program	Efforts to improve the health and well-being of employees by supporting lifestyle changes; examples include fitness, smoking cessation, counseling referrals and EAPs
Preventive care incentives	Employee rewards for participation in preventive medical screening/testing, well-child care, etc.
Ergonomics program	Program to eliminate or control musculoskeletal hazards by providing education, training, identification and modification of risks
Nurse care hotline	Telephone access to medical-professional assistance with health-related questions. May include triage/screening for conditions requiring immediate medical attention
Employee decision support tools (e.g. Web site)	Employee communication, education and decision-making support (e.g., Internet/intranet site). May include information assisting in health plan selection and access to health account activity and claims status
Incentives/cost chargebacks to organizational units	Allocation of disability costs to operating units to create financial incentives for management and supervision to accommodate RTW, etc.
Employee benefits education	Programs to inform employees about available health and wellness services and educate them about the impact of absence and disability on the organization, their income, and their job security. Particular emphasis on re-educating existing employees with the aim of managing employee culture
Early/expedited claim reporting	Expedited notification to claims managers and/or case managers of injuries or illnesses, in order to maximize the impact of medical management by facilitating early intervention and commencing benefits
Nurse case management	Services providing assistance to employees and their families, physicians, and managers in gaining access to, and coordinating, medical and therapeutic services and RTW
Medical treatment/ disability duration guidelines	Condition-specific, evidence-based standards defining protocols for appropriate medical services, and setting expectations for acceptable durations of disabilities
Physician absence management/RTW training	Outreach to medical service providers communicating the value to the employer and employee of effective treatment and employee RTW, and the measures the employer is willing to undertake in achieving RTW goals
RTW accommodation program	Employer program supporting early return to work of disabled employees through placement in modified, accommodated, alternative, or part-time duties
Employee education about RTW opportunities	Programs to inform employees about the availability of RTW opportunities, and to educate them about the value of RTW to them and to the organization and to explain benefit plan incentives

The Integrated Benefits Institute is a national, nonprofit membership organization established in 1995. IBI's programs include research, an integrated benefits educational forum and Full-Cost benchmarking that monitors benefits down and across individual programs and up to bottom-line business measures. To best serve the needs of employers and employees, IBI identifies and analyzes health, wellness and productivity issues as they cut across traditional workers' compensation and non-occupational lost-time benefits programs, as well as group health.

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