



How CFOs View Investments in Health & Productivity: On The Brink Of Change

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**With the right information, CFOs are likely to understand that
employee benefits can be an investment in the bottom line**

Although at first blush, CFOs seem mired in a traditional view of their workforce challenges, they show ample aptitude for understanding employee benefits can be an investment in the bottom line. An IBI research report shows that CFOs seek to attract and retain skilled employees (or train for those skills) instead of managing the absence and disability of experienced employees already in place. By itself, this could be bad news

for benefits managers seeking funding to improve productivity through absence and disability management.

Surprising understanding: But CFOs also show keen awareness of issues that leave them open to arguments for such benefits changes and investments – if expressed in the financial performance terms they understand. For example, 60% see a strong link between health, productivity and the bottom line – though this belief appears to be more grounded on intuition than the metrics to which they are accustomed. CFOs also appear savvy in ascribing to healthcare providers (e.g., health plans, physicians and prescription benefit managers) an important role in promoting CFOs' productivity goals. This perceived role extends far beyond any traditional effect on medical treatment and costs. CFOs are more likely to believe, for example, that healthcare providers can minimize total costs – including absence and medical costs – than just medical costs alone: 87% believe healthcare providers can affect total costs, help workers stay at or return to work, or enhance employee performance while on the job.

So why does it seem to many benefits managers that convincing a CFO to approve and fund changes in benefits delivery can be a tough sell? After all, 79% of CFOs believe that workforce productivity has a great or critical effect on their financial performance drivers. Why can't CFOs then carry the link from effective benefits management to enhanced workforce productivity?

Wrong benefits measures: CFO's are likely to have a threshold issue. They're used to seeing workforce productivity advances from enhancements in technology and equipment. CFOs may never even have thought of benefits delivery as helping to drive productivity. This may come from the very different way that benefits results are measured compared to financial performance. CFOs pay attention to the effect on cash flow, revenue, earnings and profit when assessing financial performance and productivity – reaping profit when more output comes from the same or less input. Instead, benefits managers measure benefits performance by looking at costs, employee satisfaction and employee retention. These metrics have little to do with how CFOs view their financial world.

Promote in their language: One way to resolve this disconnect is to put benefits performance into terms a CFO speaks. If benefits managers can show increased revenue or earnings because more employees are productively at work and not absent, then CFOs are likely to respond. Other good news comes from CFOs who say they are willing to change benefits programs if they are shown a productivity increase. Of those able to target the productivity return they would need, 69% require an increase of 6% or less to make benefits program changes. IBI's full-cost research demonstrates sizeable opportunities for improvements in median net income from benefits changes affecting absence. Other studies show the loss from ailing workers that are unproductive while at work to be as much as three times the losses from absence.

Pharmacy benefit: CFOs recognize the importance of a pharmaceutical benefit, with almost half saying it is crucial or very important to the CFO's health and productivity goals – perhaps in relation to the wellness, disease management and behavioral health programs they value. Prescription drug benefit management is their top-ranked program to manage benefits. More than six in 10 believe a prescription drug regimen has the potential to decrease health-related costs.

The survey: The survey is unique in assessing attitudes of CFOs and other senior financial officers towards health benefits and productivity. CFO Research Services (a unit of *CFO Magazine*) conducted the survey and in-depth interviews of 18 respondents through funding by Schering Plough Corporation, an IBI Board member. IBI assisted in survey development and conducted its own analysis. IBI's report includes responses of 269 senior financial officers from large, mid-sized and smaller employers. IBI members may access the full report at www.ibiweb.org.