News & Views

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Value on Investment: The Evolution of Workplace Wellness

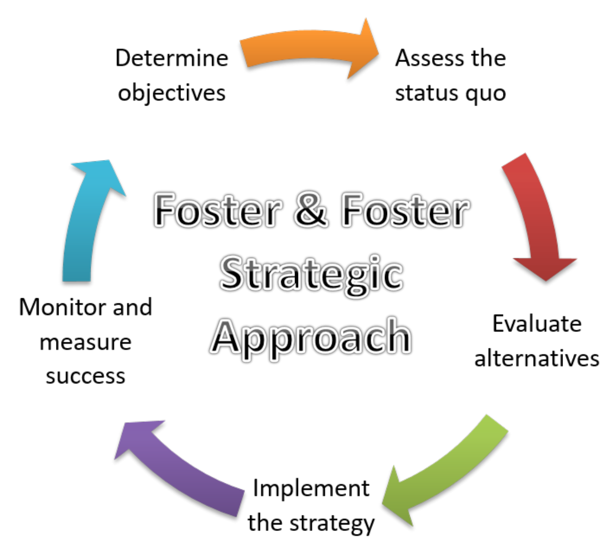
"Workplace wellness" has become a $6 billion industry with often questionable results. Numerous studies have shown that wellness programs can improve health metrics and employee engagement/productivity. It is more difficult to measure financial savings from wellness programs. While some research claims a positive return-on-investment (ROI) due to a reduction in hospitalizations and employee absenteeism,[1] other studies show small-to-negligible cost savings in the near term from improving employee health.[2] A 2014 article in the Journal of Occupational and Environmental Medicine sums up its evaluation of whether workplace wellness "works" with this recommendation:

> *...a take away from this paper is that some of these programs work and some do not. Program success depends on the goals of the program, program design and implementation, and importantly how the program is evaluated. If the only expectation is that the sponsoring organization will "make money" (i.e., achieve a financial gain) in the form of lower health care costs by instituting a workplace health promotion program, then implementing a best practice health promotion program may not be worth the effort.*[3]

There is an element of Catch-22 in determining the ROI of a wellness program. If the program's ROI is determined to include health, employee engagement, and productivity, there is a greater chance of a positive ROI versus one based solely on a difference in health care costs. Indeed, the new term Value on Investment (VOI) has been proposed to differentiate the two: "The VOI…may include outcomes such as employee satisfaction and morale, employee performance at work, engagement with one's work, quality of life, and retention rates. The VOI helps stakeholders understand the total value derived from their investment in WHP [workplace health promotion]….The value proposition is that WHP initiatives increase workforce capability, morale, and engagement, which drives organizational performance."[4] Another tangential benefit of wellness programs is gathering data on the prevalence or risk of chronic health conditions in the employer's population, which may be useful in predicting future health care costs.[5]

How Does Foster & Foster Implement Wellness Programs?

When it comes to wellness programs, Foster & Foster uses the same strategic approach that is effective in cost control and benefits management. Our strategic approach follows five steps as illustrated at right and described in more detail below. Since we are independent consultants, we do not partner with any wellness vendors and thus are well positioned to provide a neutral assessment of the benefits and drawbacks of wellness program components. By following this strategic approach and keeping our clients' best interests at stake, Foster & Foster is able to design a wellness program that is most appropriate for an organization's culture and needs—and thus more likely to produce the pay off desired.



Step 1: Determine Objectives

What are your organization's wellness goals? As stated above, achieving a financial return-on-investment based solely on medical claims is difficult and generally requires a long timeframe. Other wellness goals might include reducing employee absenteeism and turnover, increasing productivity, and/or improving employee health and morale. Once you decide upon your goals, you can develop objectives that will help you measure your program's progress and achievements.

Step 2: Assess the Status Quo

For all clients, Foster & Foster performs a quarterly analysis of health plan utilization and data analytics. This enables us to identify challenges that are unique to each individual client. Some factors we consider are the organization's top five chronic conditions, increases in prescription use and cost, emergency admissions, etc. compared to industry norms and adjusted for the organization's age and health profile.

Step 3: Evaluate Alternatives

Once we have an understanding of the unique health challenges an organization faces, Foster & Foster begins to evaluate programs, vendors, and plan design changes that offer a solution. While a solution's financial cost is an important consideration, so too is the organizational cost in terms of management and disruption to employees. We balance these costs with the solution's proven and potential benefits, then provide our recommendation for implementation.

Step 4: Implement the Strategy

Wellness program implementation can be tricky, especially if the wellness program is integrated with the health care plan (see the sidebar at right for potential regulatory compliance risks). As independent consultants, Foster & Foster can effectively monitor the implementation of new programs by coordinating with vendors on rates and contracts, finalizing plan documents, ensuring regulatory compliance, and communicating the plan to employees.

Step 5: Monitor and Measure Success

Once the new program is in place, Foster & Foster continues to monitor its success through metrics that address the program's goals and objectives. Unlike a broker—who is paid a percentage of the health plan cost via commissions—Foster & Foster does not have a conflict of interest when it comes to reducing the cost of a client's health care plan. Our mission is to serve your organization and employees by providing you with the best possible employee benefits packages that meet your organization's needs and goals.

Potential Regulatory Compliance Risks

Wellness programs and on-site clinics can raise many legal compliance issues. Potential issues include:

- ❑ Federal tax treatment of employer-provided rewards
- ❑ HSA eligibility and discrimination
- ❑ Cafeteria plan discrimination and taxation
- ❑ ERISA compliance including COBRA implications
- ❑ HIPAA
- ❑ Genetic Information Nondiscrimination Act of 2008 (GINA)
- ❑ Americans With Disabilities Act (ADA) compliance
- ❑ ADEA, Title VII, and FLSA considerations
- ❑ Health Care Reform and plan affordability

If you have questions or concerns about the compliance of your current or future wellness program, please contact Foster & Foster to evaluate your compliance risks.

Foster & Foster Is Here For You

Foster & Foster works closely with employers throughout the U.S. to design, implement, communicate, and manage successful employee benefit cost control strategies. Contact us at **info@foster-foster.com** to find out how we can help you.

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[1] Baicker K, Cutler D, Song Z. Workplace wellness programs can generate savings. Health Aff (Millwood). 2010;29:304–311.

[2] Mattke S, Liu H, Caloyeras JP, et al. Workplace Wellness Programs Study: Final Report. RAND Corporation; 2013. http://www.rand.org/pubs/research_reports/RR254.html.

[3] Goetzel, Ron Z., et al. "Do workplace health promotion (wellness) programs work?." Journal of Occupational and Environmental Medicine 56.9 (2014): 927-934.

[4] Grossmeier J. From Return on Investment to Value on Investment of Workplace Health Programs. American Journal of Health Promotion. 2016;30(7):574-576. https://journals.sagepub.com/doi/pdf/10.1177/0890117116668866.

[5] Hartman B, Owen R, Gibbs Z. Predicting High-Cost Members in the HCCI Database. Society of Actuaries. September 2018. https://www.soa.org/research-reports/2018/2018-predict-high-cost-hcci/.