

A WELCOA | Expert Interview



Larry Chapman, MPH

Senior VP for WebMD  
Health Services

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## Larry Chapman, Senior VP for WebMD Health Services



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**R**ecently, WELCOA President Dr. David Hunnicutt sat down with Larry Chapman to discuss the question, “Can health promotion programs really improve employee health and impact the bottom line?”



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**Q** Larry, can health promotion programs actually improve employee health status?

Yes they can. In fact, improved health risk status has been clearly documented in 11 literature reviews either published or supported by the Centers for Disease Control and Prevention, or The American Journal of Health Promotion during the years of 1996 and 1997.

These 11 literature reviews covered a broad range of risk-focused programming, and many showed very good documentation of effectiveness. Some of the studies showed conclusive evidence that worksite wellness programs actually improve health, while others showed only some suggestive evidence, but all of the studies ultimately showed that worksite wellness programs, in one way or another, are capable of

producing significant improvements in employee health.

Add this to the fact that we have, in total, more than 400 individual studies that prove worksite wellness programs will, in fact, impact health behavior and risks. What's interesting about these studies is that many of them don't even use state-of-the-art programming techniques—they use interventions that were current 20 years ago. So, considering the improvements we've made in the past decade, I think we actually have much greater potential these days to improve health and reduce healthcare costs.

Business leaders need to keep in mind, though, that if they are going to implement a worksite wellness program, they can't just do it "any old way." If they expect outcomes similar to what has been shown in the literature, they need to follow the models set forth in these studies.

**Q How long does it take to see health improvements in an employee population after a health promotion program has been implemented?**

The well-designed programs studied in the 11 literature reviews showed positive health behavior change happening within six to 12 months. But that can be misleading. You've got to dig deeper, asking how the program played out two years later, three years later, five years later. Mainly were behavior changes maintained over the long term?

Some literature points out that employees will often maintain a positive behavior change long term, but we also have even more studies that say if a worksite doesn't continue

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the programming, or if an employee stops participating in programs, it's likely that a shift back to the old, negative behavior will occur.

So what it comes down to is that virtually all of the literature tells us we can change behavior in the short term, it's just a matter of whether individuals and organizations work to maintain the change on a long term basis.

**Q OK, so we know that health promotion programs can improve health. Can they impact financial outcomes?**

Excellent question, and the answer is "yes." Properly designed health promotion programs can positively impact an organization's bottom line.

Knowing this, we need to examine more closely how we classify financial impact. Where will organizations see savings and how should they prioritize the areas in which they would like to see an impact?

To get started, I recommend that organizations first focus on impacting costs associated with the health plan. I say this because the health plan is the most expensive health-related area for employers.

Second, employers should look closely at sick leave costs and how they might be affected by worksite health promotion. Third, employers should take a good look at reducing workers comp costs. And fourth, organizations should focus on reducing costs associated with disability.

There's also a final area to look at—one that's kind of a wild card—and that's productivity-related economic effects. Most experts agree that several less tangible areas can be positively affected through worksite health promotion including work effectiveness, decision-making ability, customer rapport, customer retention through improved service, and revenue generation potential.

## About The Wellness Council of America [WELCOA]



Based in Omaha, NE, WELCOA was founded in 1987 as a national non-profit membership organization dedicated to promoting healthier life styles for all Americans, especially through health promotion initiatives at the worksite. Organizationally, WELCOA serves as an umbrella, linking communities and coalitions together into a supportive network that includes locally affiliated Wellness Councils, Well City initiatives, Well Workplaces, and individual and corporate members throughout the United States.

**Working Well** — Specifically, WELCOA focuses on building Well Workplaces—organizations that are dedicated to the health of their employees. The Well Workplace process provides business leaders and members with a structure or blue print to help their organizations build results-oriented wellness programs. Ultimately these programs help employees make better lifestyle choices, and positively impact the organization's bottom line. To date, over 700 companies have received the prestigious Well Workplace award.

**Leading-Edge Wellness Information** — In addition to helping organizations build structurally sound wellness programs, WELCOA serves as a national clearinghouse and information center on worksite wellness. WELCOA responds to thousands of requests for information and materials by publishing a number of source books, a monthly health and wellness newsletter, an extensive line of brochures, as well as conducting numerous training seminars.

### Wellness Council of America [WELCOA]

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**Q That brings up an interesting question that many employers are asking. How much of an employer's medical costs are related to poor health habits—habits that could be changed through health promotion programs?**

A study published by Dr. David Anderson and his colleagues in a recent edition of the American Journal of Health Promotion found that approximately 25% of all outpatient and inpatient health plan claims for 44,000+ employees over six years, were related to seven major

health risks—the health risks that make up the core of most wellness programs. So we know from that study alone that a large proportion of claims are potentially modifiable if organizations implement interventions that address these issues—things like poor nutrition, lack of exercise, excess stress, etc.

In addition to the study done by Dr. Anderson and his colleagues, we also have vendors in the field that do lifestyle-oriented medical claims analysis. These analyses generally show us that somewhere between 21% and 58% of medical claims are associated

with about a dozen risk factors—again, things like poor nutrition, lack of exercise, and high stress.

So what you end up with is reliable estimations that 30% to 60% of health plan costs could potentially be modified or avoided altogether. For most organizations that's a ton of money. Jim Fries, a good friend and well-respected colleague from Stanford University has written for years that about 70% of health costs are in fact potentially preventable. So there's a big chunk of economic return possible when looking at potential savings in regard to health plans.

**Q So we know that health promotion programs can save money. In a competitive business environment where time is essential, are there health promotion programs that will bring a faster financial return for organizations?**

Yes—many interventions have short-term returns attached to them. For instance, if you were to do a high-risk pregnancy prevention program that provided prenatal care and offered incentives that encouraged women to get medical supervision quickly and regularly during their pregnancy, that would be a quick return program. In fact, you would probably see returns in the first year.

Doing a medical self-care intervention brings quick financial returns, too, particularly if the program is associated with a well-designed consumer-driven health plan that encourages responsible use of the healthcare system.

Some organizations have seen their tobacco cessation programs bring a quick financial return in terms of reducing the incidence of bronchitis, which contributes to sick leave and other issues.

Stress reduction programs can also bring quick financial returns because they can reduce so-called “somatic complaints”—physical complaints arising out of excess stress. These somatic complaints include migraines, joint pain, recurrent dermatitis, and a whole host of other conditions. Right now, somatic complaints account for about a quarter of all primary care visits in the country.

Finally, employers can generate a quick return on investment by concentrating on injury prevention. Not just workplace injury prevention, but also preventing home injuries, vehicular injuries, and recreational

injuries. Remember, these things show up in your health plan. They also show up in sick leave, disability costs, and workers comp charges.

Any employer in the country, no matter what size, can do things to generate immediate returns. And, once they achieve these immediate returns, they should then take some of the savings and invest in long-term programming.

**Q Larry, as someone who has been in the field of health promotion for decades, how confident are you in the ability of health promotion programs to impact business financial outcomes?**

Very confident. I tell people that the evidence supporting worksite wellness is far more conclusive than

the evidence business leaders rely on everyday to make other important decisions. Business leaders are used to working with some degree of uncertainty, and there’s a lot less uncertainty in the field of health promotion than there is in virtually any other part of the business decision-making realm.

**Q How much does it cost to start a wellness program?**

It depends on how you want to go about it. I look at three different levels of building a wellness program.

Level one is what I call the Quality of Work Life level. At this level, organizations are doing wellness activities to benefit employees and to let them know that they are cared about by the employer. Organizations at this level want to improve employee quality of life by running programs



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that are fun, enjoyable, and that allow employees to interact with each other during the workday.

Programming at this level is pretty basic, meaning organizations simply offer a variety of programs and let employees choose which ones they like. This level is the least likely to produce a return on investment, and employers might invest \$10 to \$50 per person per year.

The next level up is what I call the Traditional programming level. At this level, organizations are still offering a variety of programs, hoping the right people will go, but they're also putting some effort into reaching the at-risk population, too. Organizations may spend between

\$50 and \$100 per employee per year at this level.

At the Traditional level, the literature reports that about half of employees will use one or more programs over a two-to-five-year period. But here's the trouble. It's typically the other half of the employee population that needs the programs the most. So at the Traditional level, it's very difficult for us to evaluate the entire population because we don't have data on the entire population. For this reason, Traditional programs present challenges when evaluating behavior change and economic return because we simply have people using one element here, one element there, and there's no good way to track

anything or pin anything down for the purposes of evaluation.

The third level of programming (the level where most innovative companies are headed these days) is called Health and Productivity Management. In this model you take the efforts from Traditional program design and extend them to a much larger segment of the population. You begin to collect data that is more epidemiologically sound. You link wellness to benefits and incentives and you develop the short-term interventions we talked about earlier.

By doing this type of programming, you're able to add the productivity dimension to your process and evaluation—a dimension that accounts for work effectiveness as well as direct medical costs. At this level, organizations begin to put stronger incentives in place and link wellness more powerfully to the health plan. This is the level where organizations can expect to see a significant economic return. At this level, organizations may spend \$100 to \$300 per employee per year.

**Q** Larry, how much can employers actually expect to save as a result of their wellness initiatives? I've seen estimated returns of \$3 to \$5 per dollar invested if the wellness program is well-designed. Is that accurate?

Actually, the returns can be much higher than that. My book, Proof Positive, lays out potential returns in concrete terms, but here are some numbers that are supported by extensive research.

In the Quality of Work Life and Traditional models, employers could expect a return on investment (ROI) of about 3:1—that is, three dollars returned for every dollar invested. They could safely expect that kind of return within about 18 months.

When you get into the newer prevention technologies offered in Health and Productivity Management, you could expect an ROI of 6:1 or higher—perhaps even as high as 15:1. The wide range is due to how the programs are crafted and what you decide to measure, but those returns have been documented as well.

**Q Larry, any last words to business leaders still trying to decide if workplace wellness is worth the investment?**

Depending on an organization’s business situation, implementing an employee wellness program may seem like an expensive proposition. But for those business leaders still sitting on the fence, I encourage them to remember that—even if they start at the highest level of investment at \$100 to \$300 per employee per year—they need to compare that with their average per employee healthcare cost, usually around \$6,000 per year.

Employers need to ask themselves, would they spend \$300—which is less than 5% of the cost of a health plan for one employee—to give the organization the opportunity to reduce healthcare costs significantly? Most business leaders, when faced with that question, quickly see the value of results-oriented workplace wellness programs, and get to work on building one of their own.

David, in a very fundamental way, in the years ahead, every business will not be able to afford **not** to invest in wellness. That time is almost here.

**Employers need to ask themselves, would they spend \$300—which is less than 5% of the cost of a health plan for one employee—to give the organization the opportunity to reduce healthcare costs significantly?**

—Larry Chapman, Senior VP for WebMD Health Services

**David Hunnicutt, PhD | President, Wellness Council of America**



Dr. David Hunnicutt is the President of the Wellness Councils of America. Over the last ten years he has interviewed a variety of business and health leaders. This interview was originally conducted in February 2006 and was released in September 2006. To read other interviews please visit [www.welcoa.org](http://www.welcoa.org).



**Larry Chapman, MPH**, is Senior VP for WebMD Health Services, and an internationally recognized expert and speaker on innovative health management interventions. He has developed over 700 employee health and productivity management programs including more than 100 wellness financial incentive programs and published 13 books and more than 170 professional articles. Larry co-founded Summex Health Management, which was acquired by WebMD in 2006.



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