

# WORKPLACE WELLNESS PROGRAMS: WHAT'S THE REAL ROI?

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Employee wellness programs are a \$6 billion industry in the United States.<sup>1</sup> These programs have been touted for helping employees improve their health and prevent disease while lowering healthcare costs. Approximately 50% of all companies with 50 or more employees now offer wellness programs.<sup>2</sup>

The Affordable Care Act (ACA) created new incentives and extended existing wellness program policies to promote corporate wellness programs and encourage healthier workplaces. These incentives cover programs such as smoking cessation and weight loss, reimbursement for fitness center memberships, and rewards for simply completing a health risk assessment.<sup>3</sup>

But what is the real return on investment (ROI) on employee wellness programs?

## COUNTING THE BENEFITS

Critics charge that corporate wellness programs don't always live up to expectations, generating modest healthcare savings that vary by provider. On the other hand, some companies with wellness programs have reported experiencing a range of benefits, including increased productivity, reduced absenteeism, improved morale and higher retention rates. A Harvard University paper cited medical costs falling by \$3.27 for every dollar spent on wellness programs, and absentee day costs dropping by \$2.73 for each dollar spent.<sup>4</sup> The cost of lost productivity has been estimated at 2.3 times higher than medical and pharmacy costs for sick employees.<sup>5</sup>

Healthy employees can mean lower turnover, too — but the quality of the program is key. The National Business Group on Health conducted a study with Towers Watson that found companies with highly effective wellness programs reduced voluntary attrition to a range of 4%–9%, versus companies with less effective programs whose attrition averaged 15%–19%.<sup>6</sup>

Wellness programs reflect a company's culture and can contribute to employee engagement. A study by the Society for Human Resource Management (SHRM) on employee job satisfaction and engagement found that 24% of survey participants cited their company's wellness program as "very important" and 54% were satisfied with it.<sup>7</sup>

## ADDRESSING CHRONIC ILLNESSES

Many companies are using wellness programs to reduce healthcare costs for at-risk employees, whose numbers are rising as the workforce ages. Researchers at the Milken Institute found that chronic illnesses such as diabetes, heart disease, stroke and cancer account for \$1.3 trillion in lost productivity each year.<sup>8</sup> Expenditures for chronic diseases represent 75% of annual U.S. healthcare costs.<sup>9</sup>

A RAND study assessed PepsiCo's Healthy Living wellness program over a seven-year period and found that the disease management component reduced healthcare costs per participant by \$1,632 annually and cut hospital admissions by 29%. The lifestyle management component contributed significantly less, but for those employees enrolled in both programs, the cost savings were \$1,920 annually and hospital admissions dropped by 66%.<sup>10</sup>



### **IF YOU BUILD IT, WILL THEY COME?**

The benefits of wellness programs can only be achieved if employees join, and this remains an issue for many companies. The RAND study found participation rates averaged between 20% and 40%.<sup>11</sup> As a result, companies are increasingly turning to rewards, incentives and penalties to boost employee participation. At the same time, they are promoting the health benefits employees can achieve through these programs, which can carry beyond the workplace and into their personal lives.

**To discuss these topics in more detail, please contact your PNC Relationship Manager.**

- <sup>1</sup> "Do Workplace Wellness Programs Save Employers Money?" article brief of RAND study conducted for the Department of Labor, "Workplace Wellness Programs Study: Final Report," conducted by S. Mattke, H. Lui, J. P. Caloyeras, C. Y. Huang, K. R. Van Busum, D. Khodyakov, and V. Shier, 2013. Available at: [http://www.rand.org/pubs/research\\_briefs/RB9744.html](http://www.rand.org/pubs/research_briefs/RB9744.html)
- <sup>2</sup> Final research report, "Workplace Wellness Programs Study: Services Offered, Participation and Incentives," by S. Mattke, et al., research conducted by RAND for the U.S. Department of Labor, 2013. Available at: <https://www.dol.gov/ebsa/pdf/WellnessStudyFinal.pdf>
- <sup>3</sup> U.S. Department of Labor Fact Sheet: "The Affordable Care Act and Wellness Programs," available at: <http://www.dol.gov/ebsa/newsroom/fitnesswellnessprogram.html>
- <sup>4</sup> Harvard University paper, "Workplace Wellness Programs Can Generate Savings," by K. Baicker, D. M. Cutler, and Z. Song, 2010. Cited in article "In Defense of Corporate Wellness Programs," by Rajiv Kumar, M.D., *Harvard Business Review*, February 21, 2014. Available at: <https://hbr.org/2014/02/in-defense-of-corporate-wellness-programs/>
- <sup>5</sup> "What's the Hard Return on Employee Wellness Programs?" by L. L. Berry, A. M. Mirabito, and W. B. Braun, *Harvard Business Review*, December 2010. Available at: <https://hbr.org/2010/12/whats-the-hard-return-on-employee-wellness-programs>
- <sup>6</sup> See "What's the Hard Return on Employee Wellness Programs?" cited above.
- <sup>7</sup> "Employee Job Satisfaction and Engagement: Optimizing Organizational Culture for Success," 2015 survey by the Society for Human Resource Management. Report available at: <http://www.shrm.org/Research/SurveyFindings/Documents/2015-Job-Satisfaction-and-Engagement-Report.pdf>
- <sup>8</sup> "Checkup Time: Chronic Disease and Wellness in America," study conducted in January 2014 by the Milken Institute. Available at: <http://assets1b.milkeninstitute.org/assets/Publication/ResearchReport/PDF/Checkup-Time-Chronic-Disease-and-Wellness-in-America.pdf>
- <sup>9</sup> "Checkup Time: Chronic Disease and Wellness in America," study cited above.
- <sup>10</sup> "Managing Manifest Diseases, but Not Health Risks, Saved PepsiCo Money Over Seven Years," *Health Affairs*, Volume 33, Number 1, January 2014. Abstract available at: <http://content.healthaffairs.org/content/33/1/124.abstract>
- <sup>11</sup> See "Workplace Wellness Programs Study: Services Offered, Participation and Incentives," by RAND Corporation, cited above.

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