



# Wellness

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**Make Wellness Work for You.**

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## The State of Health and Healthcare in the U.S.

The overall state of health in the United States is ominous: as reported by the Centers for Disease Control and Prevention, seven out of ten American lives are claimed each year by chronic diseases, with 50 percent of all annual deaths caused by heart disease, cancer and stroke.<sup>1</sup> A precursor for all of these conditions is obesity: 72.5 million people in the U.S. are obese. This equates to 18 to 34 percent of the population, depending on the state.<sup>2</sup>

The cost of healthcare continues to grow right along with Americans' waistlines. According to a recent study by Towers Watson, employer healthcare costs for active employees are expected to rise 8.2 percent in 2011, to an average annual cost of \$10,730.<sup>3</sup> Obesity helps drive this total up: recent estimates of the annual medical costs of obesity are as high as \$147 billion.<sup>4</sup>

### The need for wellness

Healthy employees benefit their employer in two ways: they help keep the company competitive in today's market and they help reduce annual healthcare expenses. In order to be engaged and successful at their jobs, employees can't be bogged down by chronic medical conditions. Healthy employees are productive employees; this allows for valuable, sustained workforce contribution.

Healthy employees also require fewer costly medical appointments than their unhealthy counterparts. Sixty-seven percent of employers say the most common challenge they face with providing affordable healthcare coverage is the poor health of their employees.<sup>5</sup> With healthcare benefits accounting for 38 percent of the total cost of employee benefits, the need for improved employee wellness is more pressing now than ever before.<sup>6</sup>

A well-executed wellness strategy provides the information, support and motivation that employees need to achieve and maintain good health, adding to employee engagement and preventing decreased work performance. All of these things affect a company's ability to reach corporate goals.

### Wellness programs bring value

Worksite wellness programs are perceived as valuable by both employers and employees, as evidenced by the MetLife 8<sup>th</sup> Annual Survey of Employee Benefits Trends. As revealed by this survey, 69 percent of employers acknowledge wellness programs as an effective way to reduce medical costs. Of the employees surveyed, 57 percent reported participation in employer-sponsored wellness programs. Employees also associated wellness programs with better health and improved productivity.<sup>7</sup>

#### Employers and Employees State that Where Offered, Health and Wellness Programs May Improve Productivity

48%

Nearly half of all employers who offer wellness programs say they are very effective at improving productivity.

57%

Well over half of the employees who participate in their company's wellness programs say the programs are very effective at improving productivity.

#### Employees' Participation in Wellness Programs is Associated with Good Health

63%

Employees who participated successfully (and described own health as excellent/very good).

61%

■ Experienced weight loss  
■ Increased exercise

52%

Employees who did not participate (and described own health as excellent/very good).

52%

SOURCE: 8<sup>th</sup> Annual MetLife Survey of Employee Benefits Trends

## Building an Effective Wellness Strategy

Wellness programs are traditionally designed to promote wellness and educate employees regarding ways to live a healthier lifestyle. These programs typically consist of components such as self-reported health risk assessments, online health portals and telephonic health coaching.

As wellness strategies continue to grow in popularity, continuing research has provided information about techniques that can further maximize the effectiveness of a wellness program, along with its underlying methodologies and side-by-side programs.

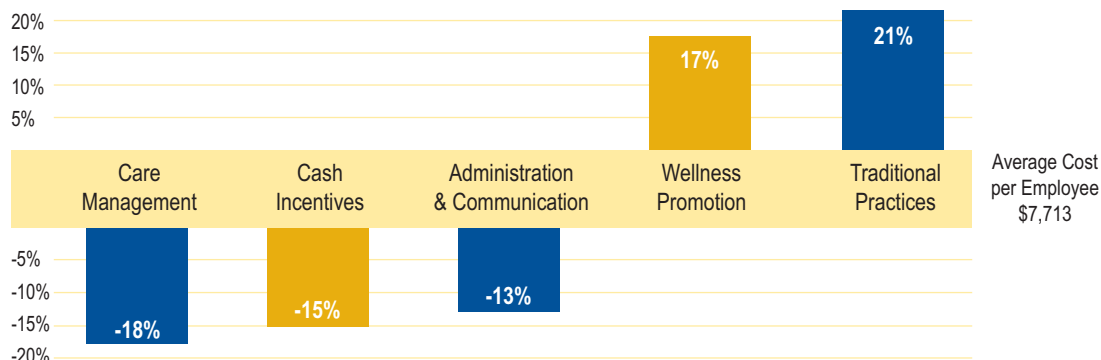
### Combining wellness programs with other care initiatives

To receive the greatest benefit from a wellness strategy, it's important to alert employees to individual healthcare needs and provide adequate information and support on healthy lifestyle practices. Effective wellness strategies do more than just offer traditional wellness programs; they also measure biometrics, reduction in health risk and behavior change. This data can be used to enhance the effectiveness of the wellness program. More than 2/3 of companies have added or enhanced their existing programs or expect to do so in the near future.<sup>8</sup>

A study conducted by SHPS showed further evidence that a traditional wellness program alone is not the answer for employer cost savings. Findings in the study indicated that un-supplemented wellness programs might actually increase annual costs by almost 17 percent.

According to the SHPS study, a comprehensive wellness strategy can be created by combining the traditional wellness program components with biometric screenings, a care management or disease management program, incentives for participation and consistent communication with employees. The study findings showed that, of employers who were otherwise comparable, employers who implemented a combination of these health management techniques had an annual cost difference of 30 to 50 percent below employers who did not.<sup>9</sup>

### Impact on Employer Annual Healthcare Costs\*



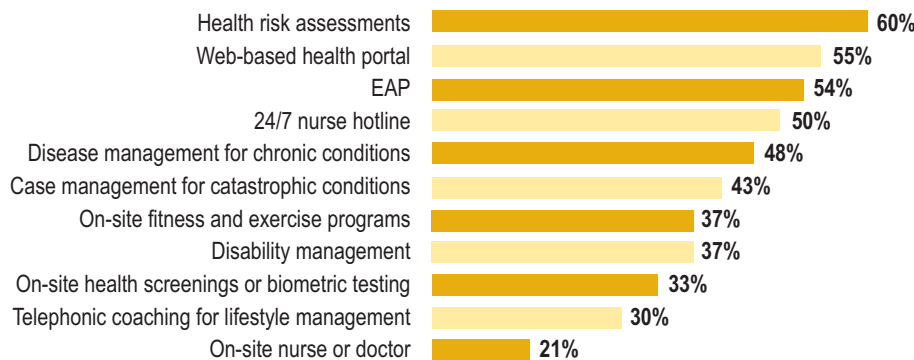
\*Impact on annual healthcare costs is based on a regression analysis of the correlation of specific benefits practices with total healthcare costs. The study did not factor in the length of time practices had been in place. It is important to note that impact will vary by employer.

SOURCE: SHPS Study of the Effectiveness of Employer Sponsored Wellness Programs

## Care management and disease management programs

Chronically ill employees comprise roughly 30 percent of a workforce, but account for up to 80 percent of the funds spent by employers to keep that workforce healthy.<sup>10</sup> Helping to halt—and even reverse—the progression of illness in those employees that suffer from chronic conditions can help prevent future high-cost medical procedures. Findings in the SHPS study support the inclusion of care and disease management programs alongside the wellness program, as they address the specific needs of chronically ill employees and can result in 18.2 percent annual cost savings.<sup>11</sup> The most effective care and disease management strategies in the SHPS study were those tailored to the specific needs of an employee population. The following chart shows the percentages of employers surveyed who offered care management options as part of an overall wellness strategy and the types of programs that were offered.

### Percentage of Employers Offering Care Management Programs



SOURCE: SHPS Survey of Employers Offering Care Management Programs as Part of an Overall Wellness Strategy

## Building a “culture of health”

A supportive environment can be effective in increasing employee participation in a corporate wellness program. Wellness and Prevention, Inc., a Johnson & Johnson Company, conducted a study of successful wellness program participation. The study discovered that employees were three times more likely to participate in the company wellness program if the company had a strong culture of health. A “culture of health” is defined as “a workplace ecology in which the dynamic relationship between human beings and their work environment nurtures personal and organizational values that support the achievement of a person’s best self while generating exceptional business performance.”<sup>12</sup> Companies that stressed this philosophy had several practices in common, such as management support, motivational programs and environmental influences allowing employees to maintain positive behavioral changes. Employees in companies who focused on a “culture of health” were found to have high participation rates in physical fitness assessments, weight loss programs and exercise participation.<sup>13</sup>

### Wellness Programs and HIPAA

Beginning in December of 2006, HIPAA law mandated that wellness programs offering rewards for achieving specific health standards follow a series of requirements. These wellness programs must ensure that rewards are offered yearly, to all similarly situated employees, and must be limited to no more than 30 percent of the cost of employee-only coverage. Discounts can consist of a reduction to benefits premiums or a waiver of some, or all, of the employee’s out-of-pocket contribution to a deductible, copay or coinsurance. Wellness programs must promote good health. Materials related to the program must provide information about a reasonable alternative to participation in the wellness program.

For more information about HIPAA, wellness program requirements and other governmental regulations, please visit [www.meritain.com](http://www.meritain.com).

## Awareness and Employer Communication Strategies

Like any new product, wellness programs have to compete for the attention of employees. Incorporating these programs into a company medical plan or an overall benefits package is no guarantee of employee participation; they must be promoted.

A 2010 research study by Texas A&M University and the University of Texas MD Anderson Cancer Center indicated that, of the 10 companies reviewed, six common practices (mentioned below) have allowed for the success of their wellness programs. The companies were able to improve employee health, productivity and morale while saving money on healthcare costs. One of the companies, a grocery retailer, was able to yield a return on investment of six to one.<sup>14</sup>

In general, the wellness programs of the 10 companies were high quality, well-planned and well-communicated. They featured:

1. **Participation at all levels of the company.** CEOs and middle managers not only advocated wellness, but practiced what they preached. Also, wellness program managers worked with the companies to design and continuously run programs pertinent to the employee population.
2. **Wellness program initiatives were aligned with the business culture of the companies.** For example, managers encouraged staff to work a personal health goal into their unit's business goals.
3. **Program components allowed for the different needs of the individual employee participants.** A variety of services and activities, such as themed wellness days and walking challenges, allowed employees variable opportunities for participation.
4. **Wellness programs and services were accessible.** On-site gyms were open evenings and weekends, healthcare staff made on-site visits and healthy food was made available in the cafeteria that was nutritious, creative and palatable.
5. **The companies partnered with external vendors.** This partnership offered resources that the companies couldn't provide internally, thus enhancing their wellness offerings to their employees.
6. **Program initiatives and activities were well-communicated.** Communication methods included desk-drops, posters, the company intranet, corporate email and trinkets.

### Tactics to introduce and promote a wellness program can include:

- Communications that are targeted to both employees and their families.
- A letter or email from upper management that explains the background and purpose of the program, how it works and how individual privacy will be respected. Make it clear that management will see aggregate, not individual, test results and that respect for employees' privacy is a requirement of federal law. The Wellness Councils of America stress the commitment by senior leadership in an effective wellness program, from financial backing to visible involvement.<sup>15</sup>
- A logo or program name to build recognition when referring to the program. All communications should have a common theme, look or brand.
- A flyer or brochure, which explains how the program works, describes any incentives, and gives a toll-free number for employees to make an appointment for an on-site screening and a health risk assessment. These flyers can be used as payroll stuffers or can be mailed to the employees' homes.
- On-site screenings and health risk assessments scheduled during an annual health fair or open enrollment period. Piggy-backing on another event can help build traffic. Use this opportunity to remind employees about program incentives, such as cash rewards, healthcare discounts or premium reductions.
- Postcards sent to those who have registered for the health assessment and screening; include a reminder to fast on the day of the tests.

- Promotion of the program in the company’s employee newsletter or over the intranet. Take advantage of the company’s intranet or company website. Since web communication is ‘real time’ and can be updated without reprinting large documents, the web allows employers to communicate more frequently and on-demand. Web-based communications are most often used for transactions or for accessing reference information, including benefit programs.

### Ongoing communications

To help guarantee the success of your wellness program, communication efforts need to continue, year to year. According to an article published by the National Institute for Health Care Reform (NIHCR), “Communications must be ongoing and updated to keep the message fresh and keep employees engaged.” The NIHCR also recommends that messages come from within the company, either from senior leadership, a dedicated wellness staff or fellow employees who have benefited from participation in the wellness program.<sup>16</sup>

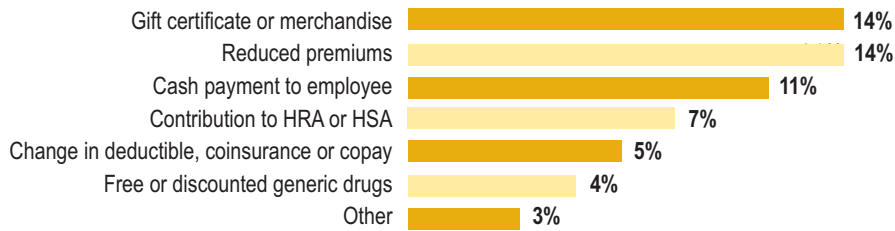
### Incentives

Incentives are a mandatory part of a wellness strategy, according to the SHPS research. Results showed that cash-based incentives can help an employer save up to 15.1 percent off annual healthcare costs.<sup>17</sup> The MetLife study, as well, reported that although 70 percent of surveyed employees said they participated in their wellness program to achieve good health, a full 50 percent cited financial rewards as their incentive for participation.<sup>18</sup>

### Cash is compelling

Cash incentives, in particular, can help encourage employee participation in preventive care screenings, health risk assessments and disease management programs. A reduction in plan premiums, an employer contribution to a Health Reimbursement Account (HRA) or Health Savings Account (HSA), or a direct cash payout, are all common forms of cash incentives. A study published in Population Health Management indicated that companies who offer incentives for wellness program participation realize a total average annual healthcare cost increase that is 50 percent less than the market trend.<sup>19</sup>

### Percentage of Employers Using Incentives to Drive Health-Related Behaviors



SOURCE: SHPS Survey of Employers Offering Incentives as Part of Their Overall Wellness Strategy

## Tax Consequences

Although incentives are an important part of an effective wellness strategy, employers need to be aware that taxes need to be paid, by employees, on incentives that involve giving cash or gifts.

Before offering a financial incentive, benefits managers need to be mindful of the tax responsibilities of incentive-based wellness programs. Employees will need to pay taxes on cash, gift certificates, employer subsidies of exercise equipment and health magazines, as well as reimbursements for the cost of gym memberships, weight management classes and nutrition classes for general health improvement.

Taxes do not apply to:

- Lowering employee contributions to premiums.
- Memberships, equipment and classes prescribed by a physician.
- Employer contributions to a Flexible Spending Account, Health Savings Account or Health Reimbursement Account.
- Gym or exercise facilities and classes that are on-site.
- Reimbursements for the cost of disease management or smoking cessation programs.

## Return on Investment

The Wellness Councils of America report that return on investment, or ROI, for wellness programs usually falls around 3:1 (\$3 saved for every \$1 spent). Employers usually require around three years for their wellness strategy to take effect before they will begin to realize these savings.<sup>20</sup>

Those familiar with wellness programs stress the need for a long-term perspective and there are a few reasons for this: first, changes in human behavior take time; second, abnormal test results may trigger an initial wave of medical appointments, especially among those newly diagnosed, which would not otherwise have occurred without the wellness program. As a result, short-term ROI can be skewed.

Although it is difficult to establish a cause and effect relationship for programs associated with prevention, some measurement indicators include:

- A high participation rate in the wellness program. The Wellness Councils of America note that higher participation rates can generate higher ROIs; an ideal participation rate is between 50 to 75 percent.
- A gradual reduction in health risk factors (e.g. high blood pressure, high cholesterol, diabetes, etc.).
- A drop in utilization of emergency room and office visits over time.

## Healthcare Reform and Wellness

Through the national effort to improve American healthcare benefits, the Patient Protection and Affordable Care Act (PPACA) includes provisions to develop and support worksite wellness programs:

- Businesses with fewer than 100 employees working at least 25 hours per week can receive governmental grants to help implement a worksite wellness program. The company does not need to have a program already in place when they apply.
- A worksite wellness program must include:
  - Health awareness initiatives, such as preventive screenings.
  - Methods to encourage employee participation.
  - Programs and services to support healthy behavior change.
  - Supportive work environment policies, such as healthy eating or physical activity.
- Beginning in 2014, limits on participation incentives will be increased to 30 percent of the cost of individual or family healthcare premiums, up from 20 percent.
- Businesses will be supported by the Centers for Disease Control and Prevention (CDC), providing technical assistance with, among other items, measuring and increasing employee participation.
- PPACA will require annual quality of care measurement reports to be submitted to enrollees of the wellness program, as well as to the Secretary of Health and Human Services.

PPACA's provisions demonstrate our government's perceived values by helping workers achieve and maintain wellness, especially through incentives for wellness program participation. Increased support like this allows employers to help employees get and stay well, to reverse the growing price tag placed on the care of unhealthy workers.

## Make Wellness Work for You

As companies incorporate techniques to combat rising healthcare costs, wellness programs stand out as an employer's best defense — against both direct healthcare costs and indirect costs such as lost productivity and employee absenteeism. Finding a benefits partner that can work with you to build a comprehensive wellness strategy is paramount in gaining a foothold in today's tough economic times.

## About Meritain Health

Meritain Health is the country's largest independent provider of services for self-funded health plans, offering employers comprehensive, integrated wellness and cost management services. To successfully control healthcare and health benefit costs, today's employers need fully integrated, end-to-end solutions to their health benefit requirements. Our client service approach includes customized plan designs, high-touch plan management and a strong focus on wellness and education; this is what Meritain Health delivers.

### A total solution to employers' health benefit requirements

Meritain Health services are comprehensive, fully integrated and customized to each client's unique needs.

Comprehensive services include:

- Consultation and innovative plan design.
- Healthy Merits<sup>SM</sup> wellness, disease management and lifestyle management programs.
- Long-term cost management solutions.
- URAC-accredited medical management programs.
- Multi-media employee education.
- High-touch member services.
- Efficient plan administration.
- Pharmacy benefits management.
- PPO administration.

### Employee wellness, education and communication

Meritain Health is an industry leader in promoting healthy lifestyles for employees. Healthcare industry experience and research has shown that health and wellness programs are critical drivers in creating health-conscious members. The Meritain Health Healthy Merits<sup>SM</sup> program includes wellness, disease management and lifestyle management programs that provide employee health screenings and assessments, smoking cessation programs, weight loss assistance, lifestyle coaching and more. The programs are designed to reach employees at all levels of health: employees who are currently well; employees considered at-risk or high-risk, who need to take immediate action to prevent illness; and employees with chronic or acute disease.

### Online health education, decision-support tools and medical management

These and other program components are fully integrated with an employer's overall health benefits plan. Meritain Health's triple-URAC accredited in-house medical management programs incorporate personal health coaching, online wellness tools and informational mailings. This improves employees' abilities to select effective, appropriately priced healthcare services and supports them as independent, knowledgeable healthcare consumers.

### Customized, flexible plan design

Meritain Health consultants are knowledgeable, experienced industry professionals. Working closely with clients and their brokers, Meritain Health consultants design customized benefits plans that include innovative cost-management strategies and support the client's short and long-term goals. As the pioneer and now the leading independent provider of Consumer-Directed Health Plans (CDHPs), Meritain Health proudly offers these plans, as well as traditional PPO plans. Throughout the plan year, Meritain Health consultants monitor plan activity and results, routinely meeting with clients to review plan reports and analyses. By developing lasting client relationships, they are able to identify opportunities and formulate recommendations to strengthen plan performance.

### Meritain Health history and operations

Meritain Health has been exceeding the expectations of clients for more than 30 years. With more than 2,300 clients and over 1.4 million members in all 50 states, Meritain Health is the country's largest independent provider of services for self-funded health plans. A top Consumer-Directed Health Plan Provider, Meritain Health serves clients and members through its dedicated 1,445 employees.

For more information, visit [www.meritain.com](http://www.meritain.com).

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