

Slashing HEALTH CARE'S Hidden Costs

When most companies consider the high cost of health care, their immediate thoughts generally focus in on medical insurance premiums. However, it's those often subtler, sneakier expenses that tend to drive up an organization's health-related cost of doing business. In addition to skyrocketing health care insurance, myriad events can lead to out-of-control health care expenditures. Absenteeism, worker's compensation, environmental issues, ergonomic problems, and the newly realized costs of presenteeism, or sick-at-work, all contribute to how much a company loses, either in hard dollars or declining productivity, to health-related issues. As organizations become increasingly sensitive to these issues, they're looking for effective strategies that address, in a cohesive way, the financial burden generated by the hidden costs of inadequate health maintenance.

Individual health and occupational health are inseparable. Health-related issues outside the work setting must be addressed equally with those inside the work setting. In response, many companies are adopting proactive measures such as taking a comprehensive approach to employee health programs to reduce costs and, more importantly, add value across the organization.

The argument for a comprehensive approach can be made by examining statistics across several areas of interest to occupational health and human resources professionals. For example, according to a study published in September 2004 by the Kaiser Family Foundation and Health Research and Educational Trust (HRET), the cost of health insurance has risen by 59 percent since 2000.¹ Companies often bear the brunt of the costs in a number of ways. The reasons for the rise in premiums are many and complex, but among them are insurance

companies' assertions of an overall increase in the number and expense of the claims that are generated.

While a portion of the increase in premiums and co-pays might be passed along to employees, this often leads to another set of problems that can affect a company's productivity: absenteeism and presenteeism. The case in point—as prescription co-pays rise, employees, particularly those with chronic medical conditions, are less likely to consistently fill prescriptions that control the condition and help reduce the number of sick days they must take. Additionally, employees in general are less likely to see a doctor for early, preventive care when confronted with a higher visit co-pay or a higher deductible. A survey conducted by the employment law information company CCH Inc. cites that last year absenteeism in the United States cost organizations \$610 per employee, with the absenteeism rate reaching a five-year high of 2.4 percent, resulting in costs of \$60,000 annually for small companies and well more than \$1 million for large organizations.²

The flip side of the absenteeism issue is its counterpart, presenteeism. Presenteeism, as described by an article in the October 2004 issue of *Harvard Business Review*, occurs when an employee shows up for work but, because of illness or other medical condition, is not fully functioning. According to researchers' statistics, presenteeism has cut individual productivity by one-third or more, and some set the cost estimates of the problem at about \$150 billion.³ Chronic medical conditions, such as seasonal allergies, regular back pain, asthma, and depression, are a few of the medical problems noted to contribute to presenteeism. Additional contributors to be considered are those that could develop in the

workplace, such as ergonomic injuries and other environmental and safety-related situations. The very existence of presenteeism can contribute to further health and safety risks because less alert employees are more accident-prone, affecting both themselves and their co-workers.

What drives employees to drag themselves in to work when they aren't up to par? The answers are varied. It may have to do with pressure associated with the company's corporate culture, or it may be in response to a particular compensation structure. Oftentimes, it's due to the employee's own drive and dedication or living and working with a chronic medical condition.

Regardless of the reason, presenteeism is a recognizable example of one of those subtle, insidious contributors to an organization's overall health care costs. Presenteeism should certainly be addressed, but addressing the root cause may not always be feasible or desirable. Yes, corporate culture can be changed, but it's generally a long, slow process met with much resistance. And even if it could, would an organization choose to squelch an eager employee whose innate determination was probably a strong factor in his hiring?

Trying a Life-cycle Approach

What's the alternative? In this case, address the symptoms—literally—with a life-cycle approach to employee health and wellness that is designed to reduce both absenteeism and presenteeism.

A comprehensive, or life-cycle, approach to employee health care gives organizations the opportunity to support an employee's wellness during all stages of employment, from pre-placement exams to health risk and case management. This approach helps manage the underlying

issues that contribute to presenteeism and other drains on productivity. Increasingly, corporations and other organizations are taking this approach. Whether they call it “integrated” or “life-cycle,” the results have shown to be positive.

In 2002, MEDSTAT of Ann Arbor, Mich., conducted a study sponsored by Johnson & Johnson on that company’s employee health and wellness program. The program included integrated service deliveries for occupational health, employee assistance, work-life programs, wellness and fitness, and disability management. The study, which included 18,331 U.S.-based employees, showed an average savings of \$225 per employee per year in medical costs and that Johnson & Johnson averaged a savings of \$8.5 million annually four years after the program began. The company noted some of the greatest risks the program affected were tobacco use, sedentary lifestyle, and high cholesterol.⁴

In addition to addressing wellness concerns of current employees, it is imperative that the right people are in the right jobs at the outset through pre-placement and ongoing certification exams. Another company committed to the comprehensive approach is Space Gateway Support (SGS), which is responsible for base operations support, including facilities management, public works, engineering, infrastructure/base support, protective services, logistics, information technology, and administrative, medical, and environmental services for approximately 24,000 employees of the Cape Canaveral Space Port at Kennedy Space Center in Florida.

SGS, with 2,000 of its own employees, also administers all pre-placement, fitness-for-duty, and exposure certification exams for KSC employees who support space launches and landings—a total of about 19,000 exams annually. SGS conducts medical surveillance programs for individuals with potential job-related exposure to dangerous materials, including hazardous or carcinogenic substances related to launch, landing, and other activities at Space Port. Rounding out the SGS employee health life-cycle program are on-site employee health units; a health education and wellness program using voluntary cardiovascular disease monitoring and risk assessment; and occupational medicine, industrial hygiene, health physics, and environmental services.

Early Detection Pays Off

Successful companies understand that supporting employee goals often ensures support of the company’s business goals. A nearly universal employee goal is to enjoy a successful retirement, which means maintaining good health *before* retirement.

One successful company that ascribes to this philosophy is CYRO Industries, a manufacturer of acrylic plastic sheet and acrylic plastic compounds that has more than 600 employees and maintains widely dispersed operations. This organization implemented a wellness program to encourage every employee to participate in a complete physical examination on a periodic basis. As an incentive, CYRO provides employees who participate with an additional \$50 in cash for the next plan year. The exams program detected medical concerns that included breast and prostate cancer, blood pressure and heart conditions, diabetes, and liver problems. Early detection enables CYRO employees to act at the earliest signs of medical problems to enjoy the best chance of success with corrective measures and lifestyle changes.

CYRO’s program is successful for two very important reasons: exams are easily accessible to all eligible employees, and it addresses and educates employees about the confidentiality of the program as well as the value of risk assessment, prevention, early detection, and intervention. CYRO credits the exam program for minimizing disability costs, cutting productivity losses, and lowering health care costs due to early detection, resulting in early treatment.

The proactive approach these organizations, and others like them, have taken regarding employees’ health during all stages of employment are showing benefits. And the potential grows. Pre-placement and fitness-for-duty exams, ensuring that the right people are in the right jobs, help lower human resources costs. Easy, on-site accessibility to health centers and wellness programs helps cut down on absenteeism. When presenteeism is reduced, worker’s compensation and disability claims start decreasing because the workforce becomes safer. Concern for employees, whether they are on duty or off, also builds a healthier, more loyal workforce, which adds value across the organization.

When companies understand that their most important investment is their employ-

ees, they also begin to realize that maintaining the health and wellness of their workforce provides a measurable return on that investment. In other words, a healthy workforce adds value to the organization. With that in mind, providing employee health programs is no longer about simply arranging for medical insurance or taking care of worker’s compensation; it requires a comprehensive approach. Supporting the full life cycle of employee health—paying attention to an employee’s health care both outside as well as within the work setting—is one of the best ways to help employees do their jobs, benefiting the individuals as well as the organizations they drive. ■

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