A Healthy Workforce

How Workers' Compensation & Wellness Programs Go Together

By Matthew J. Condon and Jennifer B. Edwards

IN BRIEF

- **Successful companies recognize that a reactive approach to worker health is less effective than preventive approaches.**
- **Adding traditional wellness programs to group health benefits is a first step, but can be slow and ineffective.**
- **This article discusses comprehensive healthy workforce programs that companies can employ to address the total health of the workforce and improve not only health insurance premiums, but also workers' compensation costs, absenteeism, morale and other indirect costs.**
- **Early adopters of this shift in employee wellness will be able to effectively manage the health and productivity of their workforce.**

Most successful businesses are beginning to understand that the reactive approach to employee health, providing group health insurance to cover employees when they get sick, is far less effective than one that combines preventive efforts with transparent/reactive medical services. In the past, adding a traditional wellness program to group health benefits was the first step for employers that sought to proactively reign in their increasing group healthcare costs. This approach is slow, sometimes ineffective and makes measuring success difficult. More importantly, this philosophy is becoming obsolete.

By adding new, nontraditional wellness programs to existing healthy workforce strategies, employers can take their programs to a new level. Employers can look to a new generation of comprehensive healthy workforce programs to address not only nutrition, cessation education, exercise and disease management, but also disease prevention, functional employment testing, job analysis, ergonomic assessment and injury prevention. By looking at the total health of the workforce, employers can impact all healthcare costs including:

- group health insurance premiums;
- workers' compensation insurance premiums and claims;
- absenteeism;
- presenteeism (when workers come to work but underperform due to illness or stress);
- morale;
- worker satisfaction;
- recruitment and retention;
- cost of rehiring and retraining workers to replace hires who cannot perform the essential functions of a job, become injured and generate workers' compensation claims.

Many of these programs will be introduced within the context of workers' compensation and safety rather than the traditional benefits market. Instead of being an outsider to the process, workers' compensation philosophies will be the foundation of implementation and the key mechanism to measure the success of the program and an employer's return on investment.

With regard to physical interventions, the next generation of comprehensive wellness programs will continue to use benchmark programs such as biometrics and health risk assessments, but will also analyze additional relevant comorbidities and other useful data. Most importantly, by analyzing this expanded data set, employers can establish new benchmarks that will help them tailor programs specific to their workforce needs such

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as hiring, ergonomics, physical development, provider choice and analysis, functional testing, and incentive management. All of these formerly disparate efforts will revolve around the nucleus concept of a comprehensive healthy workforce program. Additionally, such programs provide employers more direct opportunities to educate employees about how lifestyle choices impact aggregate healthcare costs.

The world of employee wellness is about to evolve. Early adopters on the front end of this shift will win in the open market by doing what their competitors fail to do: effectively manage employee health and productivity to truly differentiate their workforce, culture and success.

Understanding the Problem: The Startling Statistics

To determine a company's total healthcare cost, one must factor in both direct and indirect healthcare costs. Direct costs generally include the cost of healthcare coverage for both group health and workers' compensation segments, including claims costs and legal fees where appropriate, along with the cost of the company's wellness plan. Indirect costs generally include those related to loss of productivity and declining corporate culture. While these indirect costs have been historically difficult to measure, implementation of employer-driven healthcare and accountable care organizations (ACOs) will make it easier. Overall, apathetic employers that fail to aggressively address the health of their workforce face staggering costs of healthcare.

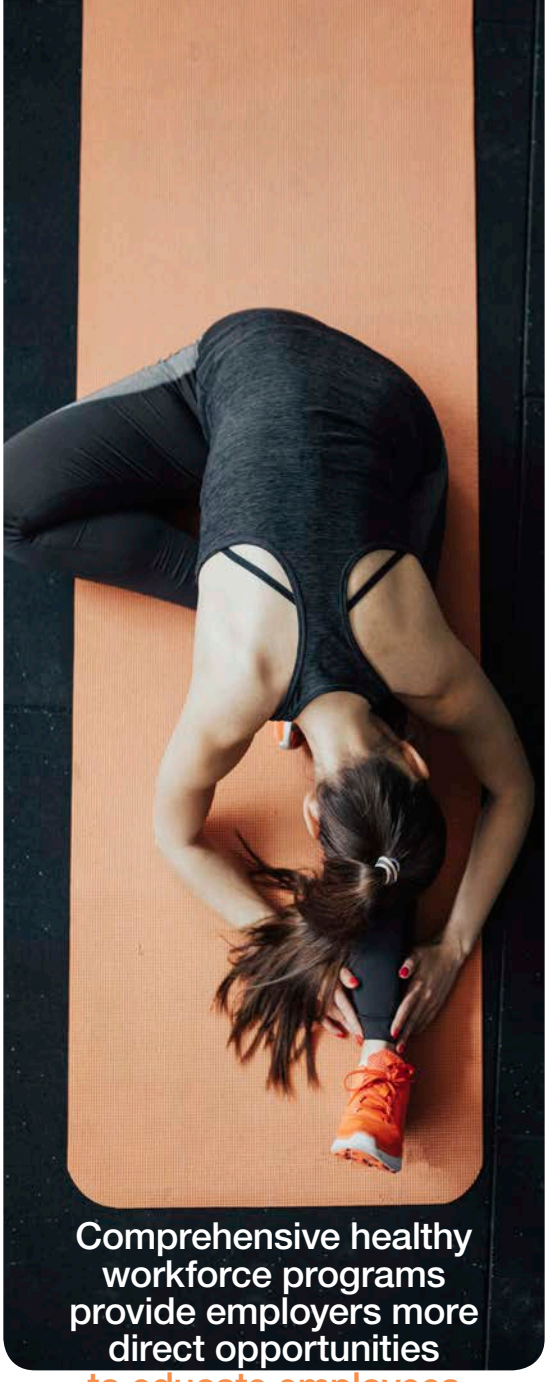
General Workforce Health Costs

CDC estimates that if tobacco use, poor diet and physical inactivity were eliminated, 80% of heart disease and stroke, 80% of Type 2 diabetes and 40% of cancer would be prevented (Mensah, 2006). An achievement of that magnitude and for those issues alone would result in more than half a trillion dollars in savings each year. Primarily, employers would see those savings since employers cover nearly 74% of the population not eligible for Medicare or Medicaid (CDC, 2016a).

General productivity losses related to personal and family health problems cost U.S. employers $1,685 per employee per year, or $225.8 billion annually (Stewart, Ricci, Chee, et al., 2003).

Workforce Smoking Costs

U.S. Department of Health and Human Services (2014) estimates that smoking alone costs employers a least $170 billion per year in direct medical costs, with 8.7% of annual healthcare spending in the U.S. attributed to cigarette smoking (Xu, Bishop, Kennedy, et al., 2015). Workers' compensation healthcare costs related to employee smokers cost employers $2,189 annually per employee compared to $176 for nonsmoking employees, according to research (Tobacco Public Policy Center, 2005). Much of this increased cost is due to several facts: smokers visit healthcare professionals up to six times more than nonsmokers (Berman, 1987), smokers are admitted to the hospital almost twice as often as nonsmokers (Halpern, 2001), and smokers average 1.4 additional days in the hospital per admission compared to nonsmokers (Stewart, et al., 2003).



Comprehensive healthy workforce programs provide employers more direct opportunities to educate employees about how lifestyle choices impact aggregate healthcare costs.

Declines in productivity related to smoking cost employers almost $156 billion per year, including $5.6 billion in lost productivity due to secondhand smoke exposure (DHHS, 2014). These hidden and exposed costs cannot be avoided in existing business environments. Employers must address them aggressively and effectively.

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Case Study

By Douglas W. Edwards

In 2012, a Kansas City, MO-based grocer with 28 stores implemented and validated a comprehensive essential function analysis project and deployment structure for 25 different jobs/positions. In addition, the company coordinated and deployed an integrated post-offer and return-to-work testing structure that facilitates meaningful and actionable data flow throughout the entirety of the company associates' work experience. The impact of implementing these projects has been significant for the safety of employees as well as the company's bottom line.

The grocer employed 3,274 associates and was experiencing record overall cost of injury ($1.1 million) and monthly cost per employee ($28). Relevant to these overall costs were the cost of strain-by-lifting injures. Strain-by-lifting injures cost the company $267,000 in 2012 with $54,000 of the cost being incurred from injuries to first-year associates. The average cost per claim of those injures was $32,107.

In 2013, after implementing the post-offer employment testing in three of its stores, the employer experienced an improvement in total cost of injury of $119,000 and the monthly cost per employee dropped to $24. The cost of strain-by-lifting injures had been reduced to $111,000. Cost per claim from strain-by-lifting injuries was $2,900 for associates in the first year of injury, and $6,200 for associates with more than 1 year of employment.

In 2016, the employer had 5,000 associates in 30 stores and performed post-offer employment testing on all new hires to the organization. By performing the comprehensive essential functions analysis project and deploying the integrated post-offer structure, the company reduced overall claims cost to $681,000 and reduced monthly cost per employee to $11. With regard to cost incurred due to strain-by-lifting injuries, the company has reduced overall cost from more than $233,000 to $33,400 and has reduced cost per those claims to $2,600, which is an improvement over $32,107 in 2012.

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FIGURE 1
Overall Costs

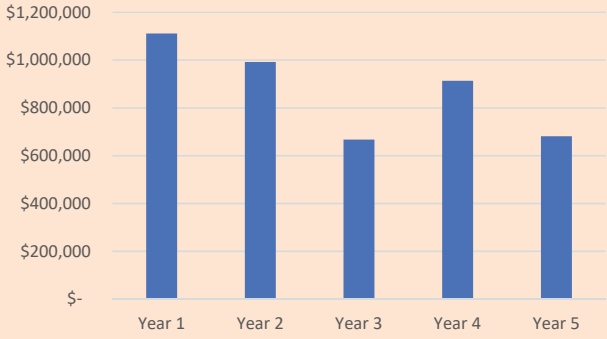


FIGURE 2
Workers' Compensation Monthly Cost per Employee

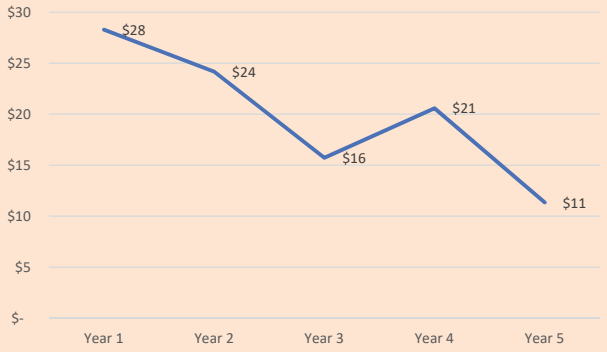


FIGURE 3
Strain-by-Lifting Injuries Overall Cost

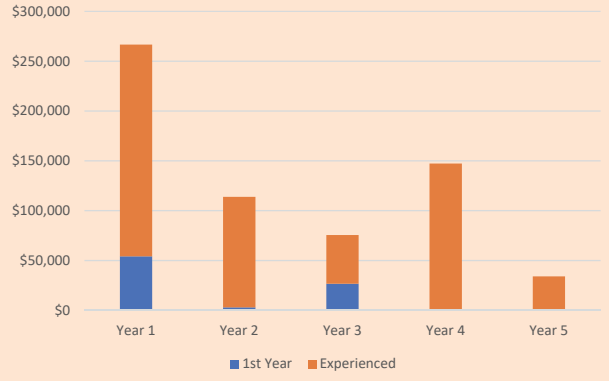
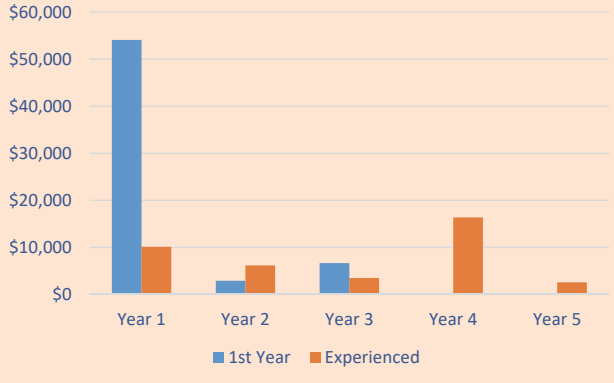


FIGURE 4
Strain-by-Lifting Injury Cost Per Claim



Workforce Obesity Costs

CDC (2015) reports obesity rates in the U.S. have risen at epidemic rates since 1985. When correlated to the rise in healthcare costs as a percentage of gross domestic product over this same period, obesity alone has had a tremendous impact on the country's overall healthcare costs (Centers for Medicare & Medicaid Services, 2017).

Weight that is higher than what is considered healthy for a given height is described as overweight or obese. Body mass index (BMI) is used as a screening tool for overweight or obesity. BMI is a person's weight in kilograms divided by the square of height in meters. A high BMI can be an indicator of high body fatness. As defined by CDC, obesity is categorized as follows:

- BMI less than 18.5: underweight;
- BMI 18.5 to 24.9: normal;
- BMI 25 to 29.9: overweight;
- BMI 30 to 39.9: obese;
- BMI 40 or greater: morbidly obese.

The annual cost attributable to obesity among full-time employees is $73.1 billion. Estimates range from $322 for overweight to $6,087 for Grade III obese men, and from $797 for overweight to $6,694 for Grade III obese women. Individuals with a BMI greater than 35 represent 37% of the obese population but are responsible for 61% of excess costs (Finkelstein, Dibonaventura, Burgess, et al., 2010).

Compared to an employee with a BMI of 25, an employee with a BMI of 35, which is considered obese, has nearly double the risk of filing a short-term disability claim or a workers' compensation claim. Normal-weight employees cost an average of $3,830 per year in covered medical claims, sick days, short-term disability and workers' compensation, while a morbidly obese person costs employers more than double that at $8,067 (Van Nuys, Globe, Ng-Mak, et al., 2014).

Regarding obesity and productivity, obese workers missed significantly more work days, an average of 1.1 to 1.7 additional absences per year, compared to normal-weight workers. Obesity-attributable absenteeism among American workers costs the country an estimated $8.65 billion per year (Finkelstein, et al., 2010).

An employer's right to request that employees become personally accountable for their lifestyle choices can and should be tied more directly to the level the employee shares in the cost of healthcare insurance. This employer-centric approach represents the best chance to improve the health of the country, which is the source of overwhelming healthcare costs.

Understanding the Solutions: A New Approach

Learning From Workers' Compensation Claims

While often forgotten, perhaps the best opportunity for an early and significant return on investment for a comprehensive healthy workforce program is not within the group health insurance spectrum, but rather within the workers' compensation spectrum. Conveniently enough, the workers' compensation arena also allows some of the most innovative mechanisms for identifying health risk factors, implementing interventions, tracking and measuring total cost, and for success. That is because, while it is difficult to track comorbidity data in the group health market because of privacy protections afforded by Health Insurance Portability and Accountability Act (HIPAA), HIPAA specifically allows an exemption for workers'-compensation-related matters:

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1) if the disclosure is "[a]s authorized and to the extent necessary to comply with laws relating to workers' compensation or similar programs established by law that provide benefits for work-related injuries or illness without regard to fault" [45 CFR § 164.512(l)];

2) if the disclosure is required by state or other law, in which case the disclosure is limited to whatever the law requires [45 CFR § 164.512(a)];

3) if the disclosure is for the purpose of obtaining payment for any healthcare provided to an injured or ill employee [45 CFR § 164.502(a)(1)(ii)].

This means employers can, should and, inevitably, will demand from providers the kind of data needed to accurately analyze the actual total cost of an injury and all the factors that affected that cost. This also means that several organizations inside their chosen healthcare team have had access to the data they need to analyze the impact of lifestyle choices on the cost of workers' compensation healthcare services and cost of claims.

In the new era before us, an organization's chosen healthcare team will be expected to collect, analyze and share that data as well as use it to improve future processes and increase the likelihood of success for everyone involved.

Perhaps one of the best descriptions of the potential impact of such an approach can be found in a study from Østbye, Dement and Krause (2007) at Duke University. Researchers examined the records of 11,728 university employees who received health risk appraisals between 1997 and 2004 to analyze the relationship between BMI and the rate of workers' compensation claims. They found that workers with a BMI greater

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than 40 had 11.65 injury claims per 100 workers, compared to 5.8 injury claims per 100 for workers within the recommended BMI range. Obese employees averaged 183.63 lost workdays per 100 employees compared to 14.19 lost workdays per 100 employees of those with a BMI in the recommended range. Finally, the average medical claim cost per 100 employees was $51,019 for the obese compared to $7,503 for those with a BMI in the recommended range.

In a subsequent study, Tao, Su, Yuspeh, et al. (2016), compared workers' compensation costs and outcomes for obese, overweight or normal-weight workers. Obesity was defined as a BMI of 30 or higher and overweight as a BMI between 25 and 30. After 3 years, about 11% of claims for major injuries were still open, indicating that the worker had not yet returned to work. For workers with major injuries, high BMI was also associated with higher workers' compensation costs. In this group, costs averaged about $470,000 for obese and $270,000 for overweight workers, compared to $180,000 for normal-weight workers. After adjustment for other factors including high-cost spinal surgeries or injections, obese or overweight workers with major injuries were about twice as likely to incur costs of $100,000 or higher (Tao, et al., 2016).

It is unlikely that these cost and productivity disparities between people with high versus average BMI are limited to the workers' compensation segment; they are simply more easily benchmarked.

Understanding the Future: The Impact of Legislation

PPACA & Defining Wellness Programs

The Patient Protection and Affordable Care Act (PPACA, 2010) not only set the legislative stage for the importance of workplace wellness, it also sets the debate stage for legislators regarding the absolute need to approach this problem comprehensively. PPACA provides $200 million in grant funds to assist small employers with the implementation of wellness programs.

By supporting workplace wellness in such a large way, it is clear legislators are beginning to understand both the need for comprehensive employer wellness programming, as well as the need to incorporate occupational health issues into the equation. The preamble to the first workplace wellness initiative states:

> Workplace health promotion programs are more likely to be successful if occupational safety and health is considered in their design and execution. In fact, a growing body of evidence indicates that workplace-based interventions that take coordinated, planned or integrated approaches to reducing health threats to workers both in and out of work are more effective than traditional isolated programs. Integrating or coordinating occupational safety and health with health promotion may increase program participation and effectiveness and may also benefit the broader context of work organization and environment. (CDC, 2016b)

In other words, companies instituting wellness programs that incorporate workers' compensation strategies including job analysis, valid and legally defensible post-offer employment testing, and functional testing for return-to-work assessments alongside more traditional wellness services such as biometric and health risk assessments, are functionally and financially more successful. Additionally, by including workers' compensation strategies, employers can gather transparent data to tailor interventions that address employees' specific needs and risk factors.

PPACA & Selecting Quality Providers for Medical Home

Another interesting effect of PPACA legislation involves the opportunity for employers to select their own group of preferred healthcare providers into a structure referred to as a medical home. A medical home has been defined generally as a team-based healthcare delivery model led by a physician, physician assistant or nurse practitioner that provides comprehensive and continuous medical care to patients with the goal of obtaining maximized health outcomes.

When this concept is modified and utilized in the employer directed healthcare segment, medical homes will be charged to develop and manage plans of care specifically based on an employee's essential job functions. These unique medical home providers will be rewarded for savings on total cost of healthcare and maintenance and improvement of function. Therefore, employers can save additional dollars by identifying quality providers who deliver successful, cost-effective outcomes.

These medical provider partnerships will be an integral part of the comprehensive healthy workforce program. Because in this model providers will be part of the treatment team and, therefore, aware of the employer's specific programming around health, they can consider those programs in their recommendations for return to work. Employers will no longer be limited to choosing providers based on subjective information. In a new generation of comprehensive healthy workforce programs, employers will decide (when allowed

by state law), to choose providers based on a value proposition that goes beyond price, reputation and/or percentage discount.

This new value proposition will include an overview of injury types, utilization, days in treatment, functional improvement, comorbidity factors and functional outcome. In other words, it will help answer questions such as, what is the true total cost to treat this patient and return the employee to work safely? What unique considerations does this patient present? What providers are best equipped to address those unique considerations? Finally, what proactive steps should that employer take now to mitigate future exposure to these cost drivers? In the new era of employer driven healthcare, all these efforts will be housed within the context of a comprehensive healthy workforce program.

PPACA & Wellness Incentives

While employers are beginning to see the financial and cultural benefits of incorporating effective comprehensive wellness programs, it is equally clear that there is a significant legislative trend aimed at further incenting aggressive employer strategies on health and wellness. A key provision within PPACA increased the amount an employer can incent improvements in specific health factors, as identified within their wellness program, up to 30% of the total cost of benefits, and in some circumstances up to 50%. Other relevant legislative initiatives include:

- S. 803/H.R. 1897, Healthy Workforce Act;
- H. Con. Res 405, Resolution Recognizes the First Full Week of April as Workplace Wellness Week;
- S. Res. 673, Resolution Recognizes the Importance of Workplace Wellness as a Strategy to Help Maximize Employee's Health and Well-Being.

In addition to the physical and financial benefits of engaging in a comprehensive healthy workforce program, the competitive marketplace itself will inevitably move comprehensive healthy workforce programs from an ancillary program/benefit to a core strategic initiative for successful companies. As more companies learn that they can increase margins by controlling all their healthcare costs (e.g., group health, workers' compensation, productivity), they will use their improved margin as a competitive advantage. Those aggressive early adopters will be able to reinvest those saved dollars to make similar or higher quality services or goods and sell them at the same or lower prices. They will be able to recruit and retain the most talented in their industry and they will drive economic development in their respective communities. In this way, the wellness evolution is destined to grow as companies that employ and manage effective healthy workforce programs dominate and overwhelm those that do not. **PS**

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