

Do Workplace Wellness Programs Save Employers Money?

Workplace wellness is a \$6 billion dollar industry in the United States. Employers offer the programs to improve the health and well-being of their employees, increase their productivity, reduce their risk of costly chronic diseases, and improve control of chronic conditions. In 2012, half of all employers with at least 50 employees offered programs, and nearly half of employers without a program said they intend to introduce one.

The press and trade publications strongly endorse workplace wellness programs as a good investment for employers, and even the normally skeptical academic world has joined the bandwagon. For example, a 2010 review by a Harvard economist stated that wellness programs returned three dollars in health care savings and three dollars in reduced absenteeism cost for every dollar invested.

But our research tells a different story.



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The recently published RAND Wellness Programs Study, which included almost 600,000 employees at seven employers, showed that wellness programs are having little if any immediate effects on the amount employers spend on health care. This has been further confirmed by our new analysis of 10 years of data from a Fortune 100 employer.

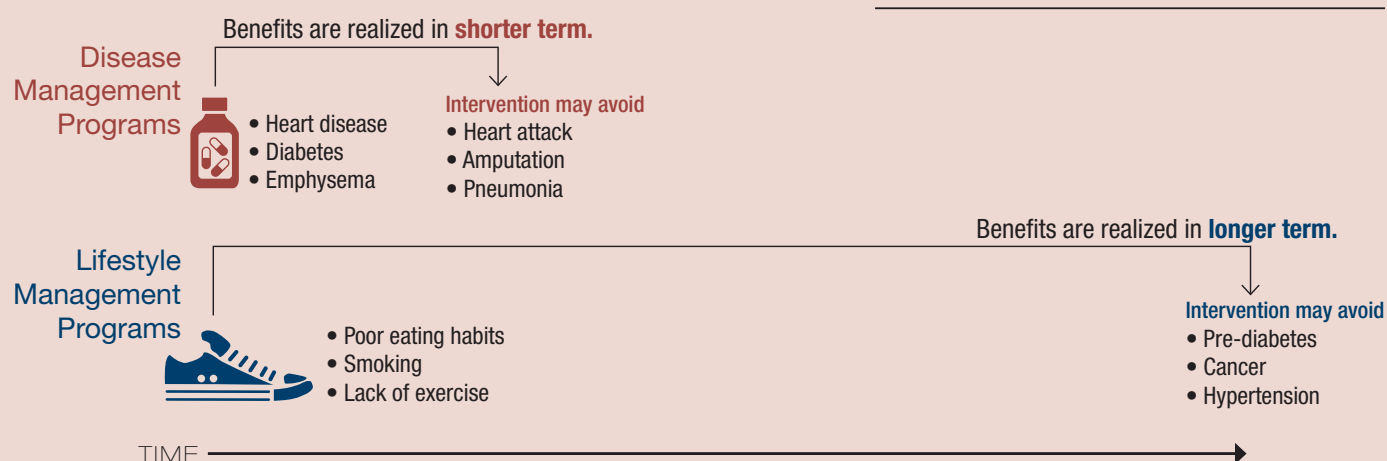
As is commonly the case, this employer's wellness program has two components: a lifestyle management program and a disease management program. The former focuses on employees with health risks, such as smoking and obesity, and supports them in reducing those risks and preventing the development of chronic conditions. In contrast, disease management is designed to help employees who already have a chronic disease. The goal is to help these employees take better care of themselves—for example, by reminding them to take their prescribed medications or communicating gaps in care, such as missed lab tests, to their physicians. (Figure 1)

Disease management drives return on investment from workplace wellness programs.

Overall, the two component programs reduced the employer's average health care costs by about \$30 per member per month (PMPM). But disease management was responsible for 87% of those savings. Employees participating in the disease management program generated savings of \$136 PMPM, driven in large measure by a nearly 30% reduction in hospital admissions. Furthermore, only 13% of employees participated in the disease management component, compared with 87% for the lifestyle management component. Put differently, the much higher participation in the lifestyle management component contributed only slightly to the overall savings. (Figure 2)

Our return-on-investment (ROI) calculations bear this out: Considering the ratio of reductions in health care costs to program costs,

Figure 1. Disease management addresses immediate health problems, whereas lifestyle management mitigates longer-term health risks.



including the fees of the program vendors and the cost of screening employees for health risks, the *overall* ROI was \$1.50—that is, a return of \$1.50 for every dollar that the employer invested in the program. But the returns for the individual components differ strikingly: \$3.80 for disease management but only \$0.50 for lifestyle management for every dollar invested. (Figure 3)

The lifestyle management program did significantly reduce absenteeism by slightly more than one hour per employee-year, but the savings generated by this benefit are not enough to make the program pay off financially.

Are these findings plausible?

Our findings challenge widely held expectations, but we believe that they are plausible, for two reasons. First, not everyone with a health risk will develop a disease; for example,

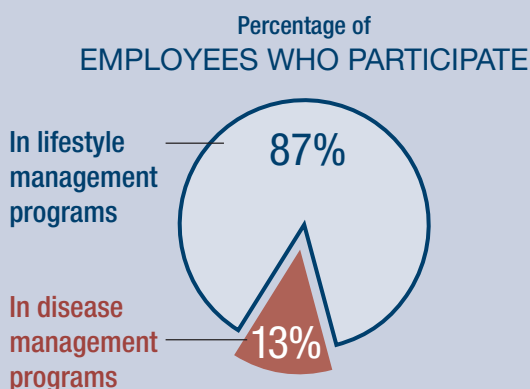
not every smoker will develop lung cancer. Second, it takes a long time before a risk factor, such as obesity, leads to the development of a costly disease, such as diabetes. But employers have to cover the cost for every program participant, and they have to cover it today. Thus, preventive interventions, the core of lifestyle management, can save money, but only if the risk is high in relation to the cost of the intervention. In contrast, the health care costs avoided by successful disease management (e.g., keeping people out of hospital) can be realized in the shorter term.



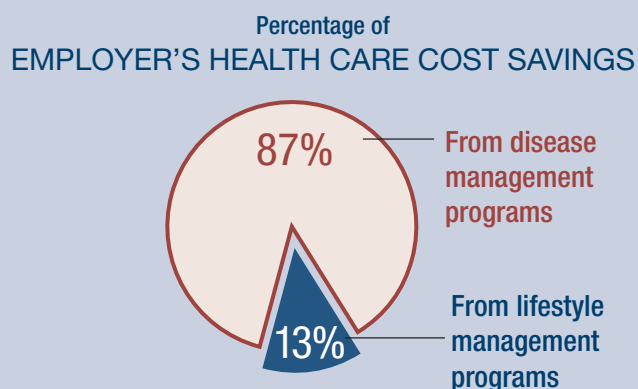
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Figure 2. More employees participated in the lifestyle management program, but the bulk of health care cost savings came from the disease management program.

PARTICIPATION



SAVINGS





RETURN ON INVESTMENT

\$3.80

ROI from disease management programs

- \$136 saved per member per month



50¢

ROI from lifestyle management programs

- \$6 saved per member per month



\$1.50

Total ROI from both wellness programs

Figure 3. Disease management provided a much greater return on investment than lifestyle management.

What are the implications for employers?

We recommend that employers take three lessons from these findings. First, employers need to be clear about their goals for the wellness program. The RAND Wellness Program Study has shown that lifestyle management can reduce health risks such as smoking, obesity, and lack of physical activity. Our analysis of the Fortune 100 employer's program also shows that lifestyle management can reduce absenteeism. Thus, if an employer wants to improve employee health or productivity, an evidence-based lifestyle management program can achieve this goal. But employers who are seeking a healthy ROI on their programs should target employees who already have chronic diseases.

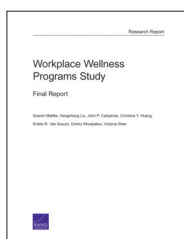
Second, given the lack of financial return from the lifestyle component, employers need to pay attention to cost. Screening all employees for health risks and offering one-to-one counseling and coaching to those with such risks is expensive, but other interventions, such as offering healthy food choices and launching educational campaigns to use the stairs, are not.

Third, execution really matters. The findings presented here are derived from leading employers with a strong organizational commitment to wellness and substantial experience with running programs. Learning from them how to engage employees and achieve fundamental behavior change would be prudent for employers who want comparable results.

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This brief describes work done for RAND Health and documented in Mattke S, Liu H, Caloyeras JP, Huang CY, Van Busum KR, Khodyakov D, and Shier V, *Workplace Wellness Programs Study: Final Report*, Santa Monica, Calif. RAND Corporation, RR-254-DOL (available at www.rand.org/t/RR254), 2013; and Caloyeras JP, Liu H, Exum E, Broderick M, and Mattke S, "Managing Manifest Diseases, But Not Health Risks, Saved PepsiCo Money Over Seven Years," *Health Affairs*, Vol. 33, No.1, 2014, pp. 124–131. For more information, contact Dr. Soeren Mattke (phone: (617) 338-2059 x8622; email: mattke@rand.org).

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