

# THE IMPACT OF A HEALTHY WORKFORCE

WHITE PAPER

**AIA** *Vitality*



THE REAL LIFE  
COMPANY

## Introduction

A strong link exists between poor lifestyle behaviours and inferior health outcomes.<sup>1</sup> Today, four risk factors – poor diet, physical inactivity, tobacco use, and excess alcohol intake, lead to four chronic diseases – cardiovascular disease, diabetes, chronic lung disease, and various cancers, that contribute to 60% of deaths worldwide.<sup>2</sup> Studies by the World Health Organization (WHO) indicate that non-communicable diseases (NCDs) are responsible for nearly half of premature deaths affecting people under the age of 70 in their productive years. Over the next 20 years, it is estimated that NCDs will cost the global economy US\$47 trillion in lost economic output – equivalent to 5% of annual global GDP. In addition to the tremendous strain that NCDs place on social welfare and health systems, they also cause decreased productivity in the workplace.<sup>3</sup>

## Employers are ideally placed to make a difference

Addressing the increasing prevalence of NCDs requires a concerted focus by all stakeholders who have influence on individuals and their health behaviours. There is growing recognition of the role employers can play as agents in addressing major public health concerns. Often, the private sector leads the way with its expertise and innovation in implementing workplace health as a means to influence people's behaviour and implement new solutions that can address the impact of diseases of lifestyle. The workplace provides an ideal opportunity to extend access to wellness and give employees the tools and knowledge needed to take care of their health.

The continued role for the private sector in workplace wellness was explicitly called for in the UN Declaration on NCDs.<sup>4</sup> The WHO's 2004 Global Strategy on Diet, Physical Activity and Health, highlights the workplace as an important setting for health promotion: "Workplaces are important settings for health promotion and disease prevention. People need to be given the opportunity to make healthy choices in the workplace in order to reduce their exposure to risk. The cost to employers of morbidity attributed to NCDs is increasing rapidly."<sup>5</sup> Moreover, the WHO's Global Plan of Action on Worker's Health 2008 – 2017, states: "Health promotion and prevention of NCDs should be further stimulated in the workplace, in particular by advocating healthy diet and physical activity among workers, and promoting mental health at work..."<sup>6</sup>

Successful efforts to stem rising healthcare costs will require a focus on employees and their health behaviours. Factors consequential for long-term healthcare costs are both under the employee's control and dependent on the environment, so it is vital to foster a setting which encourages healthier behaviour as well as engages individuals to help them to better manage their health. In short, employers need to foster a health-conscious corporate culture.

## Why health matters to employers

Investments in health, particularly the prevention of ill health, enhance a company's economic output through their effect on labour productivity. Even with the most sophisticated skills, capabilities and experience, people who are not healthy are not productive. Both the WHO and the World Economic Forum (WEF) have recognised the role employers can play in influencing individual behaviour through workplace wellness programmes. NCDs limit the capacity of employers by causing absenteeism and sometimes premature death, and through presenteeism (underperformance on the job) and rising healthcare costs in countries where healthcare is covered by the employer. Addressing the threat NCDs pose requires a concerted focus on individuals and their health behaviours.

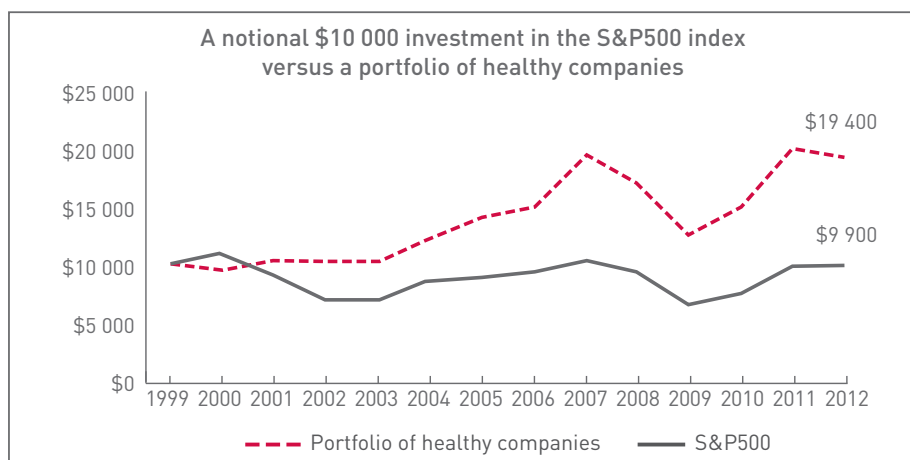
**For the business community, an awareness of NCDs therefore stems from concerns around the impact it will have on its workforce.** The WEF's annual Executive Opinion Survey, which feeds into its Global Competitiveness Report, shows that about half of all business leaders surveyed worry that at least one NCD will hurt their company's bottom line in the next five years, with similarly high levels of concern in low-, middle- and high-income countries. In response to these concerns, businesses can lessen the impact on their bottom line through workplace wellness programmes aimed at prevention, early detection, treatment and care.<sup>3</sup>

The burden of disease in the workplace has been well documented. In the United Kingdom, "Britain's Healthiest Workplace" initiative seeks to understand the health of the nation's workers and provide a correlation between health and financial performance. It estimates that lost productivity costs the British economy nearly £60 billion every year. To put that in to perspective, the amount is equivalent to approximately 45% of NHS (National Health Service) spending or 65% of the education budget. Over 9% of available productive time is lost each year due to absence and presenteeism, equating to 23 days per employee, per annum, on average across the UK. Notably, presenteeism accounts for six times the productivity loss compared to the loss attributable to absence. The findings suggest that investing in employee health and well-being aligns with better business.<sup>7</sup>

There is a growing body of empirical evidence that points to a strong positive correlation between employee health and financial performance. In a review of workplace wellness programmes, Soler et al (2010), examined 86 studies of workplace health promotion that evaluated the impact of these programmes on behavioural and biometric risk factors, health care use, and workers' productivity. The review concluded there was sufficient or strong evidence that programmes designed and implemented using evidence-based practices can exert positive impacts on outcomes important to businesses.<sup>8</sup> Similarly, a study by Goetzel et al (2016) asked the question, "Do workplace health promotion programs work?" Interpreting evidence accumulated over the past three decades, the authors argued that well-designed and well-executed programmes founded on evidence-based principles can achieve positive health and financial outcomes.<sup>9</sup> Prabhakaran et al (2009) set out to understand the impact of a wellness programme on cardiovascular risk factors on an Indian worksite population. The study found conclusive evidence that health promotion programmes can have a positive impact on health outcomes.<sup>10</sup>

A 2010 Towers Watson report revealed that companies with effective wellness programmes achieved significantly better financial outcomes relative to their industry peers.<sup>11</sup> Sherman and Lynch (2014) observed a direct correlation between healthcare costs and the level of lost productivity.<sup>12</sup> A study by Loeppke et al (2009) concluded that a strong link exists between health and productivity. It found that productivity costs related to health state are on average 2.3x greater than medical costs alone.<sup>13</sup> Henke et al (2011) set out to evaluate the effect of workplace health promotion on employees' health risks and the subsequent costs. The group studied Johnson & Johnson over the period 2002 – 2008. The result showed that the company experienced an annual healthcare inflation rate less than that of its peers' and significant decreases in obesity rates, high blood pressure, high cholesterol, poor nutrition and physical inactivity. This resulted in an average annual per employee saving of \$565, producing a return on investment of 188%.<sup>14</sup>

A 2013 study by Fabius et al concluded that companies engaging in efforts to promote workforce well-being and safety yielded greater value to investors through reduced healthcare costs, increased productivity, and improved financial performance. The study modelled the performance of a group of US companies that had won a particular evidence-based award for their health and safety programmes. Over a 13 year period, an investment in a portfolio of shares consisting of this group achieved an average growth rate that outperformed the Standard & Poor (S&P) 500 index by almost 5% per annum.<sup>15</sup>



**Addressing wellness in the workplace has the potential to improve the health status of workers; contribute to a positive and caring image of the company; improve staff morale; reduce staff turnover and absenteeism; enhance productivity; and reduce sick leave and healthcare costs.**

## Developing an effective workplace wellness programme

Programme design is critical to ensure that the ultimate outcome – a healthier workforce and improved productivity is both maximised and quantified. Best practice experience indicates the following components to be of critical importance:

1. Establishing clear goals and objectives
2. Linking programmes to business objectives
3. Top management support of the programme
4. Establishing a credible baseline health assessment
5. Effective communication with, and involvement of, employees at all levels
6. Effective incentives
7. Creating supportive environments
8. Systematic, integrated evaluation shared with top management, employees and shareholders

Although the components of an effective programme are intuitive, the design and implementation require a fully integrated approach. AIA Vitality has created such an integrated health solution for employers. The programme provides a focused approach to meet the needs of the employer, who is concerned with both the effectiveness of any interventions, and the return on investment (ROI) of such interventions.

## The Vitality approach to corporate wellness

Understand the health of your organisation	Improve the health of your organisation	Measure the improvements and impact
<p>Understanding the current health status of an organisation is the critical first step to establish a quantified view of the health of the employer. This should include the environmental factors that would impact the implementation of wellness interventions, and setting achievable targets against which to measure the success of the interventions.</p>	<p>Recognising that a “one-size-fits-all” approach often fails due to the divergent nature of employers and their industries. Vitality includes a platform that allows employers to customise incentives for employees to engage with specific wellness interventions.</p>	<p>Reporting plays a critical role in setting an employer’s wellness strategy and monitoring the success of interventions. Vitality provides employers with a comprehensive reporting platform that not only displays wellness information, but intelligently synthesises the information into clear and concise feedback.</p>

Vitality aims to lead the way in bringing about increased engagement with healthy behaviours. It is based on sound clinical and behavioural science research, and focusses on tackling key areas shown to stem the rise of NCDs viz. early detection and health screening, and behaviour modification. The programme has a three-step approach to wellness which involves educating members about the lifestyle risks they are exposed to, providing access to activities and incentives to improve their health, and rewarding members based on their level of engagement with the programme. Vitality provides a solution that delivers robust employer support, including insightful reporting on actionable metrics, implementation through ongoing strategy development, a fully-supported “Champ” component, numerous communication modalities and more.

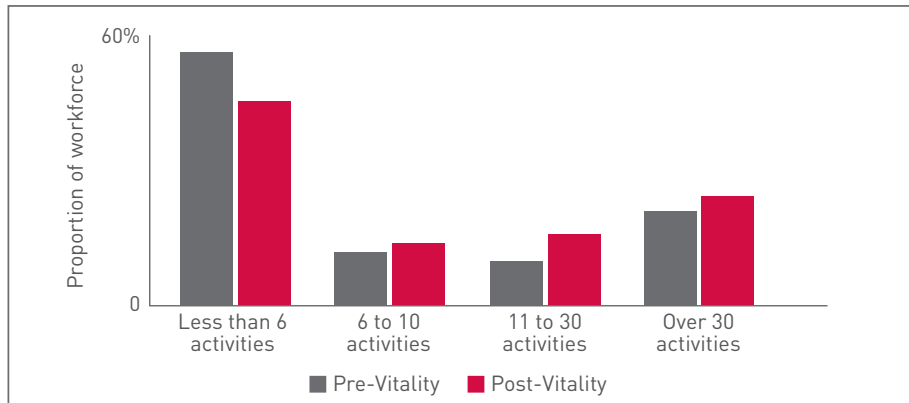
The programme is structured through application and guidance from behavioural economics research and insights, as well as evidence from a range of disciplines such as medicine, exercise science, dietetics, epidemiology, public and community health, and psychology. Key interventions are targeted to increase physical activity, improve nutrition and eating habits, encourage attendance at health assessments and preventative screenings, promote and assist with smoking cessation and advance mental wellbeing.

# The positive impact of Vitality on workplace health

The knowledge that much of the prevalence and cost of lifestyle diseases is attributable to behaviours that can be changed has resulted in international interest in mechanisms that can be used to modify poor lifestyle behaviours and drive healthy choices. **Evidence shows that employee health and wellness have a clear impact on business performance. Vitality in turn has a clear impact on employee health and wellness.**

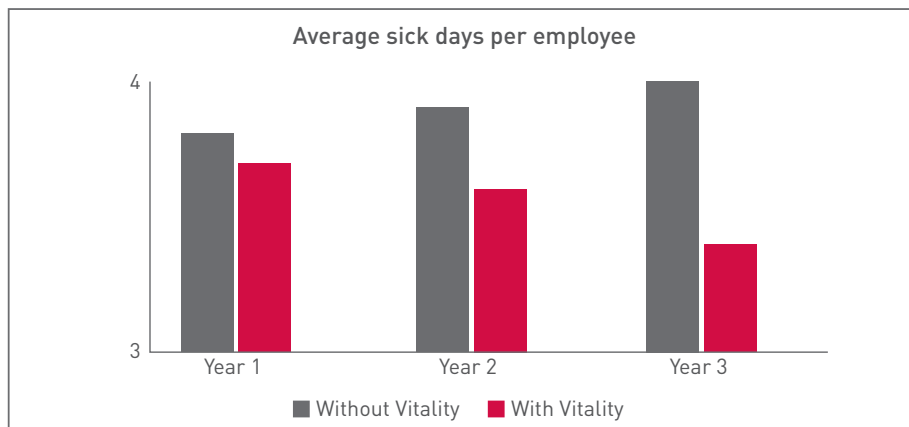
## 1. Vitality drives employee wellness engagement

The graph below depicts the year-on-year change in the number of fitness activities completed per employee.<sup>16</sup>

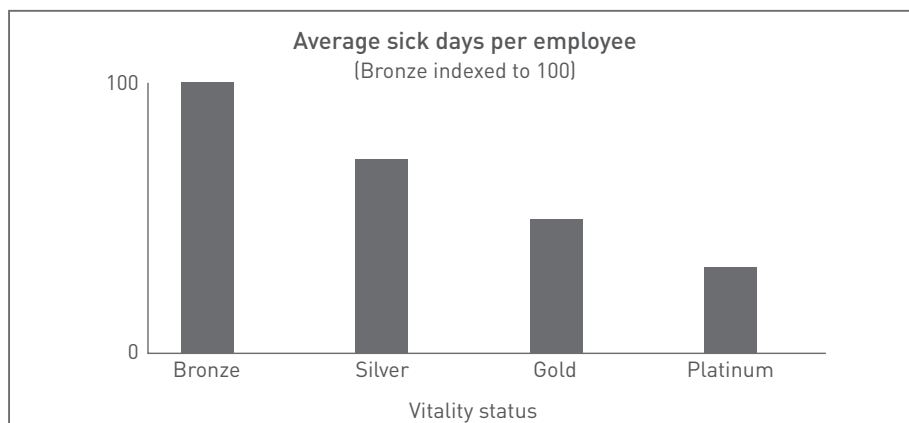


## 2. Employees engaged in Vitality exhibit lower absenteeism

A three year longitudinal study showed that the average number of sick days for employees not on Vitality increased year-on-year whereas the average number of sick days for employees with Vitality decreased year-on-year.<sup>17</sup>

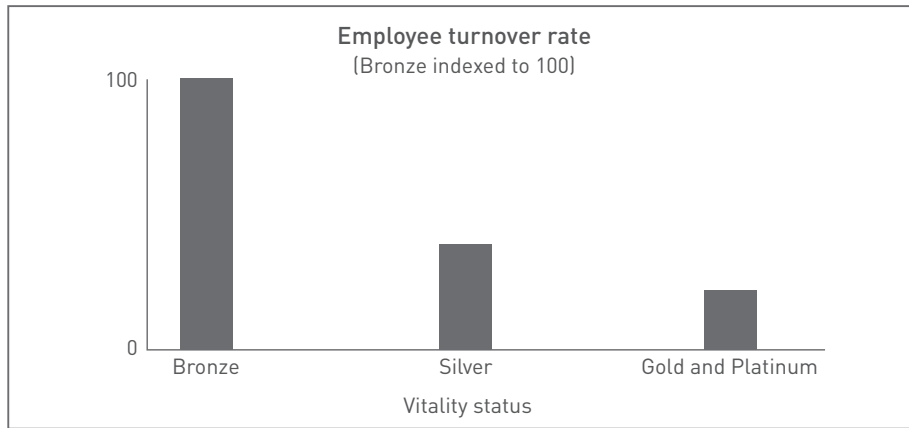


A study of Vitality data shows that the average number of sick days decreases in line with an improvement in Vitality status.<sup>16</sup>



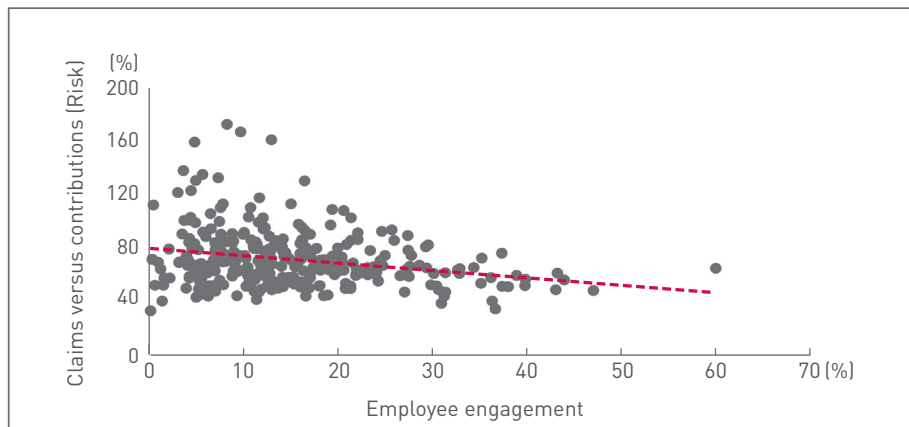
### 3. Vitality positively affects employee retention rates

A study of Vitality data demonstrates a strong correlation between employee loyalty and Vitality status. Highly engaged employees displayed turnover rates 4.5x lower than employees who were not engaged.<sup>18</sup>



### 4. Vitality engagement is negatively correlated with healthcare costs

An analysis of medical claims experience for employers showed that the greater the level of Vitality engagement by employees, the lower their associated healthcare costs relative to employers with lower levels of employee Vitality engagement.<sup>19</sup>



A five year longitudinal study of Vitality data shows that members engaged in the Vitality programme have lower healthcare costs. Moreover, for hospital admissions, engaged members had lower costs per patient (10% – 15%), shorter stays in hospital (20% – 30%), and fewer admissions (7% – 8%) compared with other groups.<sup>20</sup>

## Case study: Vitality in action at McKesson

Founded in 1833, McKesson is the oldest and largest healthcare services company in the USA and plays an integral role in healthcare. McKesson serves more than 50% of American hospitals, 20% of physicians and 100% of health plans, and as the largest pharmaceutical distributor in North America, delivers one-third of all medications used there every day. The company ranks in the top 5 of the Fortune 500 list of companies,<sup>21</sup> with annual revenues in excess of US\$179bn and employs more than 70 400 individuals.<sup>22</sup>

In 2011, McKesson partnered with Vitality to enhance their existing employee wellness offering. Vitality worked with McKesson on an ongoing multi-year strategic plan to motivate and engage members in healthier lifestyles, leading to better health outcomes and reduced cost.

### Results and financial impact

The programme was evaluated by an independent third-party research group at Harvard University's T.H. Chan School of Public Health. Over a 3 year period, health claims, engagement, health outcomes and job performance data were analysed. The programme resulted in significant experience improvements for McKesson.

#### A | Programme engagement

Members displayed a clear increase in engagement, with participants nearly doubling the amount of wellness activities from 6.9 to 13.4 activities per month. An overall increase in Gold and Platinum Vitality status of 225% was observed.

#### B | Health outcomes

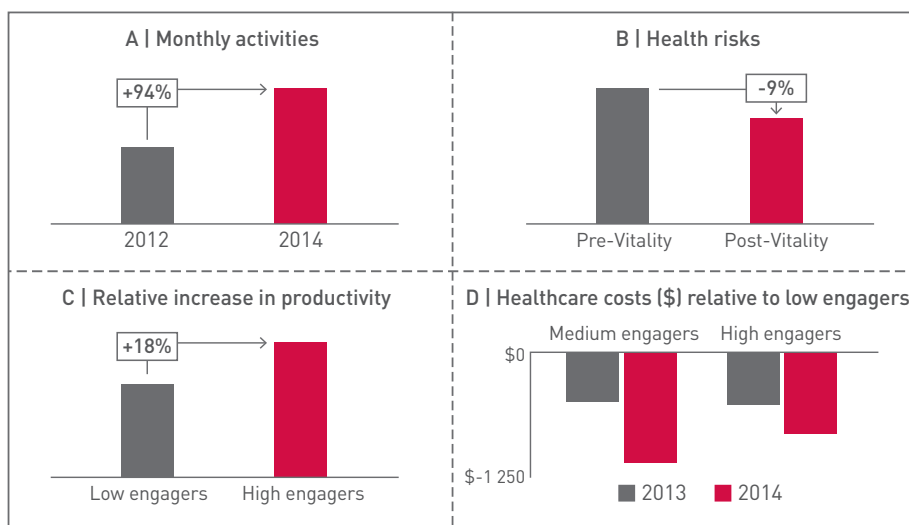
The study used a McNemar analysis of biometric and lifestyle risk factors of consistent cohorts to determine whether risks had decreased significantly for employees who engaged with the programme. Statistically significant improvements were observed in systolic and diastolic blood pressure, tobacco and alcohol use, stress, nutrition and physical activity. Overall health outcomes, such as lifestyle and biometric risks, decreased by 9%.

#### C | Productivity

The study used a version of the WHO's Health and Work Performance Questionnaire to investigate differences in work performance for members with varying levels of engagement. Overall productivity increased by 3.65%. In particular, the productivity of employees who were highly engaged was 18% higher relative to those who had no or a decreased level of engagement. The economic effect of this was (conservatively) calculated using the human capital approach to salary conversion method – total gains amounted to almost \$7m.

#### D | Health claims

Claims data that considered medical costs, length of hospital stay and chronic disease risk factors over the period were investigated. Medium and highly engaged employees had healthcare costs that were on average \$1,240 and \$920 less than low engagers respectively. Overall health claims savings amounted to \$13.3m.



Vitality resulted in clear health and financial improvements for McKesson. Taking into account productivity as well as healthcare savings, McKesson achieved a 37% ROI over the three year period.<sup>23</sup> The company's strategies and results were recognised by their being awarded the C. Everett Koop National Health Award (2015), which is in recognition of outstanding worksite health promotion and improvement programmes. Notably, this prestigious award requires employers to be able to document results, both in terms of health improvement and economic impact.



## Conclusion

The need to address the increasing prevalence of NCDs has never been greater, given the incredible pressure that it brings to all levels of society. Effective intervention strategies will require a collaborative effort from multiple stakeholders. Of all these stakeholders, employers perhaps have the greatest role to play, given the impact that they have in influencing the behaviour of their employees and the benefit that they stand to gain from successful intervention. By investing in workplace wellness, employers can not only improve the health of their organisations but also add value to their shareholders.

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## Appendix: Return on investment (ROI) of workplace wellness

ROI is a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. It measures the amount of benefit (or return) on an investment relative to the investment's cost. To calculate ROI, the return of an investment is divided by the cost of the investment, and the result is expressed as a percentage or a ratio.<sup>24</sup>

The ROI of a workplace wellness programme cannot be stated at the outset of the programme but can (and must) be measured over time. In order to measure the ROI of a wellness programme the following metrics must be determined upfront.

The current

- Health status of employees
- Level of employee engagement in wellness activities
- Healthcare costs per employee

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