



The Business Value of a Healthy Workforce

United States

2013/2014

Staying@Work™ Survey Report



**National
Business
Group on
Health**

TOWERS WATSON



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Executive Summary

U.S. organizations have long looked to health and productivity programs as one way to keep workers healthier and stem the tide of higher health care costs. More recently, the adoption of health care reform and its fast-approaching excise tax have created a new urgency to control costs. In response, organizations are developing new strategies, considering many new options such as provider incentives and retaining a keen focus on improving workers' health. Yet when it comes to their health and productivity strategy, our 2013 Staying@Work Survey results show that U.S. employers are taking to heart the lessons that "more" health programs without an articulated strategy may not be an effective approach to induce behavior change.

Instead, most now point to establishing a culture of health as their top priority and an essential factor for success. Employers are recognizing that good health is a total business issue, and a lack of it affects workforce performance. Linking the health, well-being and workforce effectiveness strategy to the employee value proposition is key to getting the most out of the investment in the program and, most importantly, to effectively driving sustained healthy behaviors.

Moreover, they are looking to differentiate their programs from competitors, customize approaches for key workforce segments and use analytics to gauge the effectiveness of their programs. In this way, they hope to address their cost challenges, and

at the same time effectively respond to employees' lifestyle risk issues, especially stress, obesity and lack of physical activity.

A Closer Look at the Issues

U.S. employers are concerned that lifestyle risks are widespread throughout their workforce, resulting in increased employee illness, rising medical costs, and lost productivity due to unplanned absence and decreased efficiency while on the job. Stress, obesity, lack of physical activity, poor nutrition and tobacco use, the five biggest challenges identified by employers, align with 80% of the most prevalent chronic conditions in the world, including cardiovascular diseases, cancer and stroke. So it's no surprise that many employer actions center on preventive health measures such as walking challenges, nutrition tracking and education, and smoking cessation.

Employers also understand the value of health, well-being and workforce effectiveness programs to their overall organizational health strategy, and largely view them as critical to helping the organization address employee health issues. Nearly half (49%) of U.S. respondents say these programs are essential, and 42% say they play a moderate role in their organizational health strategy. Eighty-four percent plan to increase support for these programs over the next two years, of which 17% expect to significantly

“What’s causing the lack of interest? The survey shows that absence of a strategy likely contributes to low employee engagement.”

increase support. Seven in 10 companies identify developing a workplace culture where employees are responsible for their health as critical, and understand its importance as a top priority of their health and productivity program.

Improving participation in health and productivity programs, and educating employees to be better consumers of health care, are also high priorities in the U.S., a clear reflection of employers’ ongoing concerns over the high cost of health care. Of the 15 markets surveyed, U.S. companies are the only group to identify educating employees as a top five priority.

But despite the best efforts of employers, actual participation in these programs is low. On average, participation is nearly 50% (for health-assessment appraisals), and is well below 20% across the population for other programs such as lifestyle change and health management programs (e.g., weight management and tobacco-cessation programs).

What’s causing the lack of interest? The survey shows that absence of a strategy likely contributes to low employee engagement.

Lack of a Clear, Articulated Strategy

Half (50%) of respondents say they offer various employee programs, but do not have a formally articulated health and productivity strategy that is aligned to business priorities. However, they do recognize the value of a strategy, and 94% say they plan to have an articulated health and productivity strategy with stated objectives in the next three

years. What’s more, only 16% of respondents say they have effectively communicated a strategy and value proposition, and delivered on its promises (although 21% plan to do so in the next three years).

Offering individual program elements based on low cost, popularity or longevity (“we’ve always offered it”) can be costly and inefficient. Perhaps more important, lack of a clear strategy that is connected to the employee value proposition makes it difficult for employees to understand the purpose of the program and their role in it, which in turn can result in low engagement and participation levels.

Without a clearly communicated strategy, it’s difficult for employees to understand the programs’ value to them, and how improved health connects to their work and the organization. In addition, employees may be less likely to trust that their employer will support them and treat health information confidentially.



Key Findings

- The majority of respondents — globally and in the U.S. — are committed to health and productivity programs. Nearly half of U.S. respondents (49%) say they are essential to their strategy, and 42% say they play a moderate role. U.S. employers are not cutting back on their commitment in the face of health care reform.
- Employers worldwide continue to invest in these programs, but U.S. employers now expect to see results in the form of improved employee health and reduced costs. Over three-quarters (84%) of U.S. employers say they plan to increase or significantly increase support of health and productivity programs over the next two years.
- U.S. employers are concerned about lack of employee engagement and participation in these programs. Nearly eight in 10 (77%) employers view a lack of employee engagement as the biggest obstacle to changing behavior. Despite offering a variety of health and productivity programs, employers report that actual program participation is low.
- A low percentage of employers currently have a clear, articulated strategy, but that is expected to change over the next three years. Currently, 50% of U.S. employers do not have a strategy, but 59% plan to design a strategy that is differentiated from those of competitors in the next three years.
- U.S. employers' top priority is developing a workplace culture of health — a shift from previous years. Seven in 10 respondents say developing a workplace culture where employees are responsible for their health is a top priority of their health and productivity programs. Employers are increasing the use of financial incentives and penalties to hold workers more accountable and improve health outcomes.
- Employers view stress as the major lifestyle risk for employees, followed by obesity, lack of physical exercise, poor nutrition and tobacco use.
- Companies identified as highly effective (see Effectiveness Methodology, page 36) have a differential in annual health care costs of more than \$1,600 per employee. These companies pursue an approach that is different from other respondents, including:
 - All levels of leadership actively support health and productivity goals that are connected to the employee value proposition and communicated as a differentiator from other organizations.
 - Health and productivity is defined broadly to include physical, psychological and emotional aspects of health.
 - Engagement in health and productivity is part of the company's business priorities and linked to overall business value.
 - Measurement strategy is holistic, including employee satisfaction, process and results-oriented metrics that are used in decision making.
 - Continuous improvement is emphasized, using an evidence-based approach that aligns local experience and culture with product and service innovations.
 - Worksite programs and activities are aligned and assimilated into the local culture to support health and productivity goals.
 - Health and productivity programs are customized to individual needs to optimize recovery and efficient return to work.
 - Target interventions for population segments are implemented to assure support is integrated with overall benefits and employer services.
 - Regular communication is provided to employees, spouses and dependents about the health and productivity programs and services using multiple channels to connect to individual needs.
 - Business partner services, communication and performance objectives are actively managed and integrated.



A Global Perspective

Health issues and their effect on the workforce have become a global priority for employers. The continued increase in preventable chronic diseases such as cardiovascular disease and type 2 diabetes has expanded beyond Western countries to become a growing problem — and in some instances a more urgent one. As a result, the number of companies providing health and productivity programs has increased in many markets around the world, and includes multinationals as well as local and regional organizations.

To explore health and productivity strategies and programs globally, our North American Staying@Work Survey was expanded this year to cover organizations in 15 key markets around the world. (For further details, see page 9.) The

global survey uncovers several similarities across regions and some important differences.

A Shift in Focus to Health as an Organizational Strategy

While most companies globally do not currently have an articulated health and productivity strategy that differentiates them from competitors, and helps attract and retain talent, many recognize the need for such a strategy to gain key organizational benefits, link to the employee value proposition, and provide a motivation for employees to join and stay with the organization. With Europe as a notable exception, most organizations around the world plan to develop a health and productivity strategy within the next three years (*Figure 1*).

Figure 1. Which of the following steps best describe what you have accomplished in your health and productivity strategy to date, and what do you expect to accomplish in the next three years (within your own country/market)?

		United States	Canada	Mexico	Brazil	Europe	Asia Pacific
Offered various programs but have not formally articulated a health and productivity strategy	Today	50%	63%	49%	48%	47%	55%
	In 3 years	3%	5%	19%	3%	18%	8%
Adopted and articulated a health and productivity strategy with stated objectives and goals for each program	Today	18%	10%	15%	9%	17%	10%
	In 3 years	14%	18%	19%	18%	20%	18%
Effectively communicated the strategy and value proposition behind the health and productivity program, and delivered on its promises	Today	16%	13%	17%	15%	13%	16%
	In 3 years	21%	25%	14%	21%	26%	18%
Differentiated our health and productivity program from other organizations with which we compete for talent, customized for critical workforce segments and used organizational analytics to test the effectiveness of each program	Today	14%	6%	8%	24%	8%	10%
	In 3 years	59%	45%	40%	53%	33%	50%
None of the above	Today	2%	7%	10%	4%	16%	10%
	In 3 years	3%	7%	9%	6%	3%	6%

Top Health Risks

Employers globally rank stress, lack of physical exercise and obesity as the top health risks faced by their employees. Stress was identified as the number one health risk factor in nearly all surveyed countries (*Figure 2*). The multifaceted issues related to stress are driving the need for broader organizational commitment that extends beyond employees' physical and mental health to encompass the work environment, culture and interpersonal relationships that connect employees to the mission and goals of the organization. The 2013 Towers Watson Global Benefits Attitudes Survey highlights the fact that the main sources of stress for employees around the globe are tied to the work experience — specifically, inadequate staffing, low pay increases and conflicting job expectations.

Mixed Success in Managing Health Risks

Employers' ability to impact modifiable health risks, chronic disease, and related absence and disability varies widely by country, probably due to the complex interrelationships among employee health habits, access and availability of quality health services, and the availability of vendors to assist with corporate wellness initiatives. These factors are further complicated by cultural barriers. Worksite solutions to address employees' health and their

effectiveness are still in their infancy. However, employers continue to make important strides, and remain committed to organizational health and productivity strategies.

Biggest Obstacles to Changing Employee Behavior

Employees' engagement in their own health is a top obstacle to changing employee behavior in most countries. To counteract this, many U.S. companies offer incentives for participation in programs or for achieving health-related goals, and there is growing interest in incentives among Canadian and Asian companies. However, other barriers may prevent the widespread use of wellness programs. Notably, lack of evidence of best practices ranked highly as an obstacle in most of Asia, as did available budget to spend on wellness programs. Budgets were also an issue in Europe, Canada and Mexico. These findings may also point to the relative immaturity of the emerging health programming industry. They could also reflect the small number of employers that link company strategy with worksite health. What's more, lack of senior leadership involvement and inadequate budgets — both necessary to developing an effective health program — also play a role. These gaps point to the importance of developing a strong business case that has leadership backing in order to position the program as one with strategic value to the organization.

Figure 2. Lifestyle risk factors that are a workforce issue

	Tobacco use	Lack of physical activity	Obesity	Poor nutrition	Stress	Substance abuse	Presenteeism
United States	5	3	2	4	1	7	6
Canada	6	2	3	4	1	7	5
Mexico	6	2	3	4	1	7	5
Brazil	7	2	3	5	1	4	6
Europe	2	3	4	7	1	6	5
Asia Pacific	4	2	3	6	1	7	5

Note: Rankings based on companies responding 5, 6 or 7 on a 7-point extent scale.

Strategic Priorities

Respondents globally have a surprisingly consistent set of priorities for their health and productivity strategy (Figure 3). In short, employers appear to recognize that drawing employees into healthy lifestyles through more programs is not enough. The key themes across markets are the need to create a workplace culture of health, improve employees' engagement in their health and better manage employee mental health (i.e., stress and anxiety). Chinese and European respondents were notable exceptions. Chinese companies indicated improving employees' mental health is their top priority, followed by employee health engagement and physical health. In Europe, safety concerns are top of mind, partly driven by statutory requirements that exist in many European countries.

In the U.S., as well as Brazil and Mexico to some extent, health and productivity issues are inextricably linked to the increasing cost of health care for both employers and employees. It's not

“The key themes across markets are the need to create a workplace culture of health, improve employees' engagement in their health and better manage employee mental health (i.e., stress and anxiety).”

surprising that respondents from these countries focus on creating a workplace culture of health, one that encompasses cost management aspects along with concerns about health engagement and employee education. In nearly all other countries, employer health care costs are far lower, and so are not a leading business issue. In Europe, for example, company reputation, customer satisfaction and the potential for labor disputes tend to be more top of mind than employee well-being, with social responsibility being a more typical focus than productivity.

Figure 3. Top priorities of health and productivity programs

	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5
United States	Workplace health culture	Health engagement	Educate employees	Awareness	Physical health
Canada	Workplace health culture	Mental health	Health engagement	Awareness	Manager awareness
Mexico	Workplace health culture	Health engagement	Mental health	Awareness	Safety
Brazil	Health engagement	Workplace health culture	Safety	Awareness	Mental health
Europe	Safety	Mental health	Health engagement	Workplace health culture	Attraction/Retention
Asia Pacific	Workplace health culture	Health engagement	Mental health	Awareness	Safety
China	Mental health	Health engagement	Physical health	Safety	Awareness

Note: Respondents could select up to three options.

Although the priorities across much of Asia fairly consistently follow those of North and South America, the underlying drivers do differ. Productivity and absenteeism are certainly key issues, but the attraction and retention of talent is a perennial employer concern in Asia's rapidly growing markets. It also ranks among the top five priorities among European survey respondents.

Building a Successful Health and Productivity Program

Less than half of survey participants in all countries rank any aspect of their health and productivity program as successful. The success of certain key goals — including reduction of costs and frequency of lost work time, and reduction of chronic disease and lifestyle-related risks in the employee and dependent population — is extremely low everywhere except Brazil.

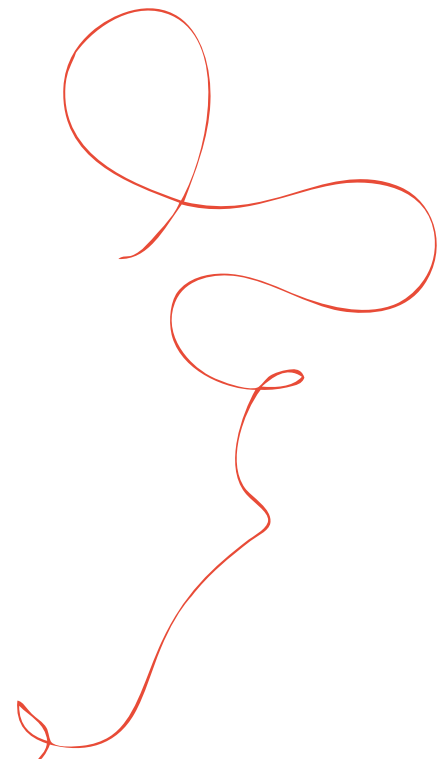
The Staying@Work Overall Health and Productivity Effectiveness Scorecard (see page 36) demonstrates that those companies that lead the way by adopting best practices are seeing significant returns on their health and productivity programs, and significant improvement in health risks, absenteeism, turnover and improved financial performance. Their experience and results suggest a framework for health and productivity initiatives that can cultivate a healthy organization.

“Companies continue to make significant investments in health and productivity programs, and recognize that a defined health and productivity strategy that is aligned to business objectives is necessary for sustainable success.”



Summary

Globally, companies face similar challenges in addressing lifestyle choices that contribute to chronic disease and disability. However, companies continue to make significant investments in health and productivity programs, and recognize that a defined health and productivity strategy that is aligned to business objectives is necessary for sustainable success.





About the Survey

The 2013/2014 Towers Watson Staying@Work Survey was conducted between May and July 2013 in North America, Latin America (Brazil and Mexico), Europe (France, Italy, Netherlands, Spain and the U.K.) and Asia (China, Hong Kong, India, Malaysia, the Philippines and Singapore). In the U.S., the survey was jointly sponsored by Towers Watson and the National Business Group on Health, as it has been for more than a decade. The responses reflect the strategy, tactics and experience of each company in the local market. The primary target for the survey was the most senior benefit manager, or health and productivity expert, in the country. However, the survey asked for information that may have required expertise in other departments (e.g., communication and internal communication). Respondents were encouraged to ask the most appropriate individuals in their company to assist in completing designated sections of the survey.

Across all 15 countries/markets, the data include responses from 892 HR and/or health benefit managers (*Figure 4*). There were 199 participants in the U.S., representing all major industries (*Figure 5*). Fifty-nine percent of U.S. responding organizations are publicly held; 22% are private, and 19% are nonprofit or government agencies.

Figure 4. Number of full-time workers employed by respondents

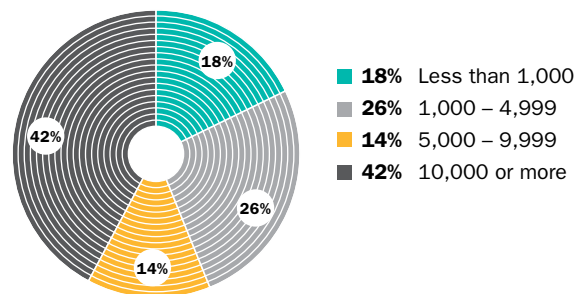
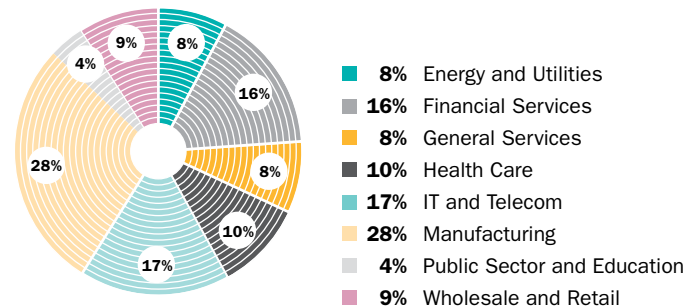


Figure 5. Industry groups



A Highly Effective Health and Productivity Company's Road to Success

Johnson & Johnson, one of the high-effectiveness companies in this year's study, attributes its success to leadership commitment, long-term vision and a workplace where the commitment to health is evident across the organization. These three cornerstones have enabled the world's leading manufacturer of health care products to have healthy employees who are happier, highly engaged and more productive.

Johnson & Johnson has a long-standing commitment to the health and wellness needs of its employees. More than 30 years ago, the CEO announced that he wanted the healthiest workforce in the world. Johnson & Johnson introduced the concept of Live for Life™ — a program that focuses on encouraging employees to live a balanced life that brings personal fulfillment and optimal health. All subsequent leaders have continued to embrace this commitment.

To foster Live for Life, Johnson & Johnson leaders have established a long-term vision that includes these Healthy Future 2015 goals:

- 90% of employees will have access to the 12 Culture of Health programs as measured by site implementation.
- 80% of employees will complete a health risk profile and know their key health indicators.
- 80% of employees who participate in the health risk profile will be characterized as "low risk."

Articulating a vision and long-term strategy is critical to the program's success, and Johnson & Johnson communicates them broadly to both internal and external stakeholders.

Good health is woven into the fabric of the organization. Johnson & Johnson's Culture of Health programs cover a wide range of services that support healthy choices, and help drive and sustain health improvement. Energy management, tobacco-free campuses and tobacco-cessation programs, a health risk profile, digital health coaching, employee assistance programs and exercise/stress management are examples of programs that employees can access. The programs are customized according to location, culture and specific health needs, while providing essential core elements across all locations to create a culture of health worldwide. By the end of 2012, nine of the 12 programs had been fully deployed to more than 88% of the employee population worldwide.

Health champions from regions and business units are also used to drive Johnson & Johnson's Culture of Health. These advocates help promote health and productivity programs, encourage behavior change and ensure that progress is being made toward employee health goals.

Johnson & Johnson measures the outcomes of its workplace health and wellness programs globally, and makes changes as needed. The company tracks data for the 12 Culture of Health programs at more than 400 facilities. While a significant effort, Johnson & Johnson recognizes the important role measurement plays in the cycle of continuous improvement.

Johnson & Johnson requires that each location complete an online global health assessment tool to ensure that health programs are delivered locally. The results are analyzed and presented to local leaders to help them understand the current

“Good health is woven into the fabric of the organization. Johnson & Johnson's Culture of Health programs cover a wide range of services that support healthy choices, and help drive and sustain health improvement.”

state and what still needs to be accomplished. The dashboard format is easily translated into action steps so that business leaders can get involved if a particular site is falling behind.

Johnson & Johnson recognizes that progress takes time. Fortunately, the company can measure results as far back as 1990 to report valuable population health trend information. Over the long term, the company has seen a significant positive impact on employee health and well-being.

According to several independent assessments of the Johnson & Johnson programs, the effect on employee health, productivity and costs is clear:

- Lower increases in emergency room and in-patient admissions, and higher increases in doctor visits and prescription drug fills compared to other large companies
- A projected return on investment of \$1.88 to \$3.92 for every \$1.00 spent on Johnson & Johnson's Live for Life program
- Average annual per-employee savings were \$565
- Benchmark comparisons that show an average rate of growth in medical and pharmaceutical costs that is 3.7% lower than companies in similar industries

What's more, Johnson & Johnson is a recognized leader in the field of employee health and well-being. In 2013, the company secured the CEO Gold Standard on Cancer Prevention accreditation twice — first for efforts in the U.S. and more recently for its work globally.

Johnson & Johnson's substantial investment in employee health has not gone unnoticed by its employees. Eight in 10 employees (81.9%) agreed with this statement from a recent pulse survey: My company helps me in my efforts to achieve health and well-being.

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The company plans to continue to build on the success of its health and productivity programs by focusing on several areas. In 2014, Johnson & Johnson will set its 2020 employee health goals to further its Live for Life aspirations. The company also wants to extend its health and wellness philosophy to dependents, as well as its influence in the 60 countries in which it does business through community and population health initiatives. Last, the company is exploring new technologies and innovative solutions that can improve employee engagement.

Johnson & Johnson has an ambitious agenda, and no doubt will continue to reap the benefits for the organization, its employees and family members, and its communities.



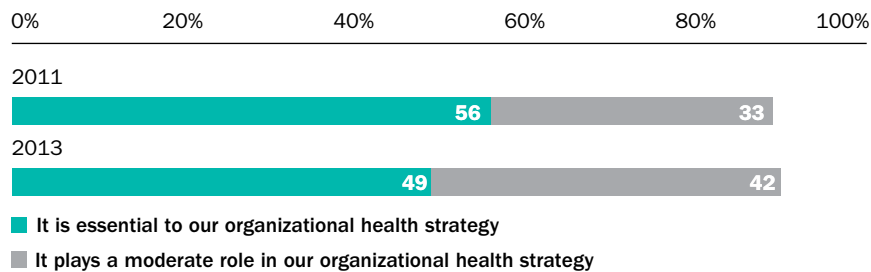
Health and Productivity Strategies

Keen Interest in Health and Productivity Programs

Companies based in the U.S. continue to view health and productivity programs as a core component of their organizational health strategy, with 49% saying they are essential to their strategy and 42% saying they play a moderate role.

Interestingly, this is a downward shift from the findings of our 2011/2012 survey, which showed 56% of U.S. respondents calling these programs essential (*Figure 6*). This could be the result of rapid changes in the health care marketplace causing employers to reevaluate the role they play in employee health and health benefits.

Figure 6. Health and productivity: A core component of an organizational health strategy



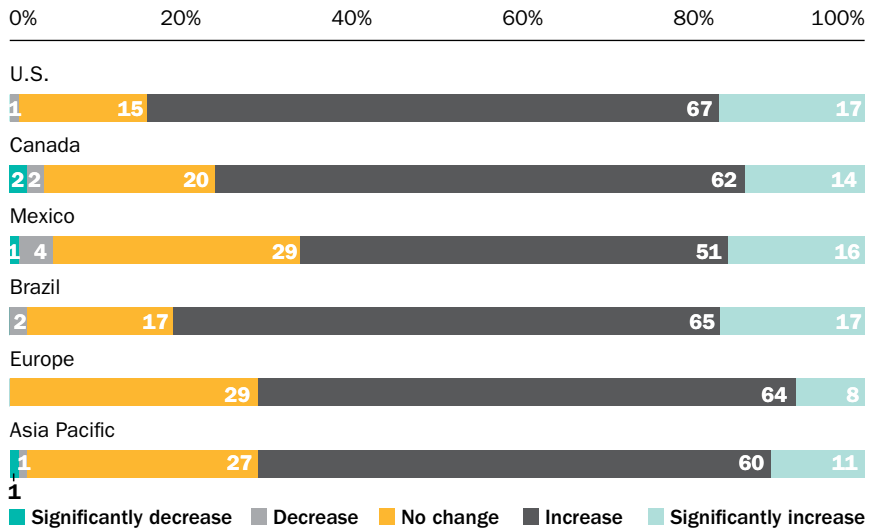
Nevertheless, keen interest in these programs remains. Over two-thirds (67%) of U.S. respondents say their organizations plan to increase their support of health and productivity programs over the next two years, and an additional 17% plan to significantly increase support — a total of 84%. The majority of respondents from other countries and regions also expect their organization's increased support of these programs (Figure 7).

No Formal Strategy, but Plans to Develop One

While employers globally show significant interest in supporting employee health and productivity, most do not have a formally articulated strategy for doing so. However, nearly half plan to adopt a strategy within stated objectives for each program in the next three years, and even more expect these programs to be differentiated from those of competitors — additional clear indications of the importance of health and productivity to employers globally.

In the U.S., 50% of employers do not have an articulated strategy, although most plan to adopt one within the next three years, and 59% say they plan to have a differentiated strategy from those of their competitors (Figure 8). This aspirational goal — which these employers made in full knowledge of the scope of the provisions of the Patient Protection and Affordable Care Act (PPACA) — demonstrates that U.S. employers are not cutting back on their commitment to a healthy workforce in the face of health care reform, and in fact, their commitment is increasing.

Figure 7. How do you expect your organization's support of health and productivity programs to change over the next two years?



Towers Watson View

These results indicate a strong worldwide interest in employee health and productivity, regardless of whether respondents contribute directly to their employees' health insurance costs (as in the U.S.), through taxes or other means (as in most European countries), or have minimal financial involvement in their employees' health expenses. Clearly, employers recognize that healthy employees play a major role in helping organizations achieve business objectives and increase their competitive advantage, due to lower rates of absenteeism and chronic illness.

Figure 8. U.S. employers are taking the next step in health and worker effectiveness as a key competitive advantage

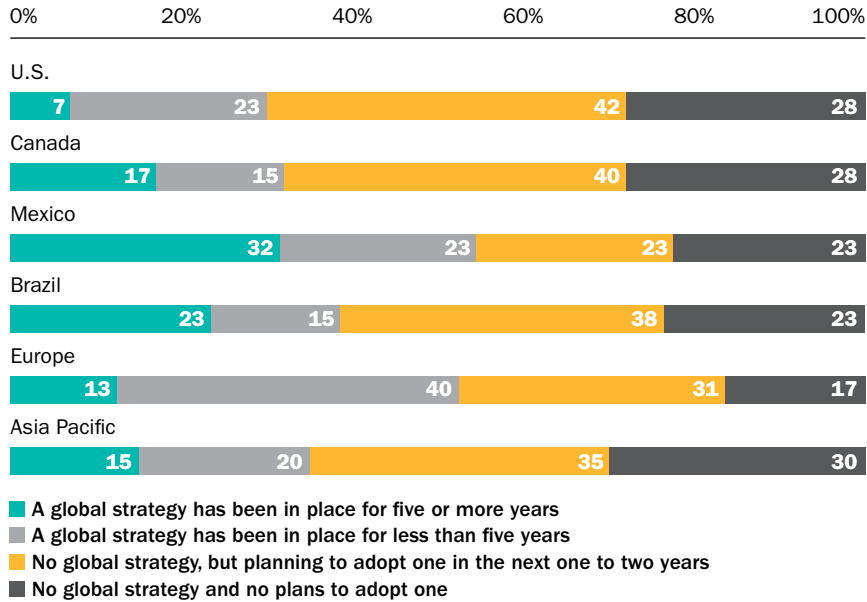
	No strategy	Adopt strategy	Communicate and deliver	Differentiate health and productivity (H&P) strategy
	Offered various programs but have not articulated an H&P strategy	Articulated an H&P strategy with stated objectives and goals for each program	Effectively communicated the value proposition behind the H&P program and delivered on its promises	Customized for critical workforce segments to compete for talent and used organizational analytics to test program effectiveness
Today	50%	18%	16%	14%
In three years	3%	14%	21%	59%

Global Health Care Strategy

A global health care strategy appears to be growing in importance for multinationals. Only 7% of U.S.-based respondents have had a global strategy in place for more than five years, and although 42%

plan to adopt one in the next one to two years, fully 28% have no plans to adopt a global strategy (Figure 9). (See a more detailed global perspective on page 5.)

Figure 9. Global health care strategy for multinationals



Note: Responses are based on multinational companies.

Towers Watson View



Without a clearly articulated strategy, employers run several risks. First, they may inadvertently offer program elements that are not coordinated with each other or that have low return on investment. Second, without a clear articulation of purpose, it can be difficult for employees to understand the reason for the health and productivity program, and the value it brings to them. That, in turn, can lead to low engagement and participation levels. Employers seem to recognize this issue and plan to adopt a clear strategy that will differentiate them from competitors.

Priorities and Challenges

In the U.S., medical benefits are the top component of an employer's health and productivity strategy, followed by wellness and health management programs, absence and disability management, occupational health, and onsite medical and wellness services (including yearly screenings or occasional onsite services, in addition to more robust onsite services). Globally, a somewhat different story emerges. In Europe and Asia Pacific, for example, there is little interest in absence and disability management. A ready labor pool in Asia Pacific and continuing economic woes in Europe may be driving the lack of interest in return-to-work programs. Nor is Asia Pacific overly concerned about the reputational or branding risks of an ineffective health and productivity strategy. Globally, there is a lack of focus on pandemic preparedness (Figure 10). Despite where their emphasis lies, companies clearly see the health and productivity strategy as a way to differentiate the employee value proposition in the marketplace to attract talent.

Top Priority: A Workplace Culture of Health

The top priorities for U.S. respondents' health and productivity programs include developing a workplace culture where employees are responsible for their health and understand its importance

(70%), improving employee engagement in health and productivity programs (63%), and educating employees to be more informed consumers of health care (44%). Notably, improving employee awareness of health and risks, at 29%, is a clear indication that employers believe their employees are gaining awareness of these issues. In addition, respondents rank a workplace culture of health as a greater priority than either improving employee engagement or developing consumerist behaviors. However, only 15% of U.S. employers ranked

Generally,

core components

of health and productivity strategies globally are:

- ✓ **medical benefits**
- ✓ **wellness/health management programs**
- ✓ **occupational health**

Figure 10. Core components of a health and productivity strategy

	United States	Canada	Mexico	Brazil	Europe	Asia Pacific
Medical benefits	97%	96%	71%	91%	88%	94%
Onsite medical and wellness services	50%	–	62%	77%	–	51%
Occupational health	64%	79%	71%	96%	88%	60%
Wellness/health management programs	93%	79%	74%	83%	65%	68%
Pandemic preparedness	–	68%	57%	–	43%	48%
Absence and disability management	76%	88%	–	62%	–	–
Reputational risks/branding	–	–	–	–	45%	–

Note: Figure shows top five core components ranked by country/region.

improving the emotional/mental health of employees — that is, lessening stress and anxiety — as a top priority (Figure 11). Far and away the biggest obstacle to changing employee behavior is a lack of employee engagement (low participation or interest

in programs), chosen by 77% of U.S. employers. The next biggest obstacle, lack of evidence of appreciable financial return, was chosen by only 29% of U.S. respondents.

Figure 11. Top priorities of health and productivity programs



Note: Respondents could select up to three options. Chart includes top eight items.



Towers Watson View

Any number of factors contribute to lack of employee involvement, but in our experience, programs that lack a cohesive strategy linked to business priorities, do not reflect employees’ concerns and are not clearly communicated will not effectively result in sustainable behavior change or improved health status — nor will they drive down health costs. What’s more, employers’ lack of concern about employee mental health and stress levels is worrisome, given that stress is the number one health risk.

“The top priorities of health and productivity programs are to develop a culture of health and improve employee engagement.”



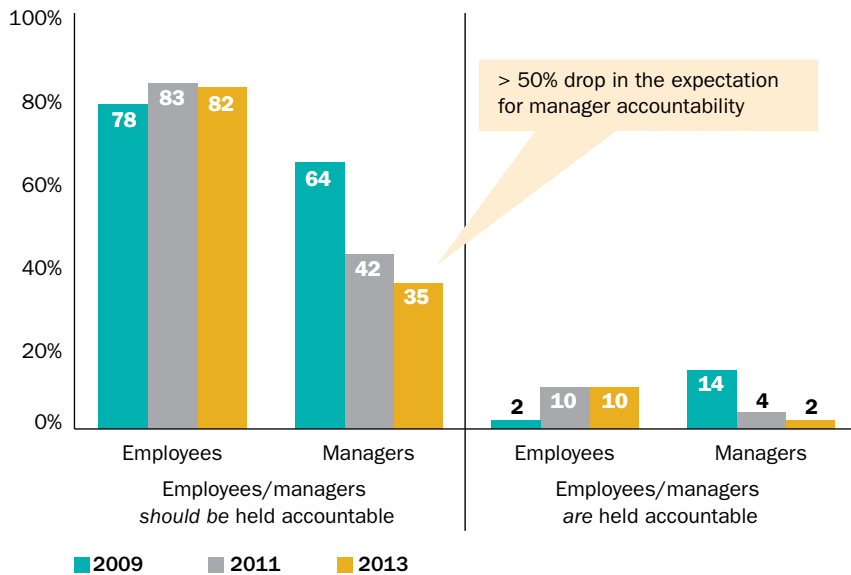
Accountability

A Gap Between What Should Be and What Is

Employers overwhelmingly believe that employees and (to a slightly lesser extent) managers should be held accountable for improving, maintaining and managing employee health. But there is an extremely large disconnect between employers' views on what should happen and what employers are doing to make that accountability a reality (Figure 12). What's more, employers' view that managers should be held accountable has dropped significantly since our 2009 survey, and fewer employers are holding managers accountable, even as the percentage holding employees accountable has risen to 10% and remained there.

Clearly, there is only incremental progress on holding employees accountable, and employers appear to have given up on the notion that managers could be held accountable for employee participation in their own health and well-being. The slow pace of adoption of employee accountability could be due to any number of factors, including concerns about employee backlash and employer uncertainty about the effectiveness of health and productivity programs. In addition, employers may feel hampered by legal constraints.

Figure 12. Employee accountability for improving, managing and maintaining health (U.S.)



Towers Watson View



There is an opportunity to adopt emerging tactics and benefit design elements to improve individual responsibility. However, to be effective — to encourage people to take responsibility for their own health and well-being — the focus should shift from accountability and punitive measures to one that focuses on building the intrinsic internal motivation that sustainable behavior change requires. While measures such as financial penalties may have a role, they should not be the primary tactic. Instead, employees need to understand that change is possible; they must have access to the tools and resources they need to make changes; they need management and peer support, and their goals must be personally relevant and manageable — all critical elements for sustainable change.

Stress: The Overarching Workforce Health Issue

Globally, respondents cited stress as the number one workforce risk issue, ranking above even physical inactivity and obesity. And 78% of U.S. employers identify it as a top risk factor for their workforce (Figure 13). Of even greater concern, employers and employees have vastly different opinions on the causes of employee stress.

U.S. employers in our survey rank lack of work/life balance as the top driver of stress, while employees surveyed in our 2013 Global Benefits Attitude Survey ranked it fifth in importance (Figure 14).

Employees ranked the workplace experience — inadequate staffing, low pay or low pay increases, unclear or conflicting job expectations, and organizational culture — as their top stressors, while employers ranked those factors slightly lower or very low. In fact, employees ranked low pay or low pay increases as their second-biggest source of stress, while employers ranked it ninth. Employees seem to be saying, “Support me, pay me and direct me,” but employers are focused on other stress factors.

Figure 13. Lifestyle risk factors that are a workforce issue

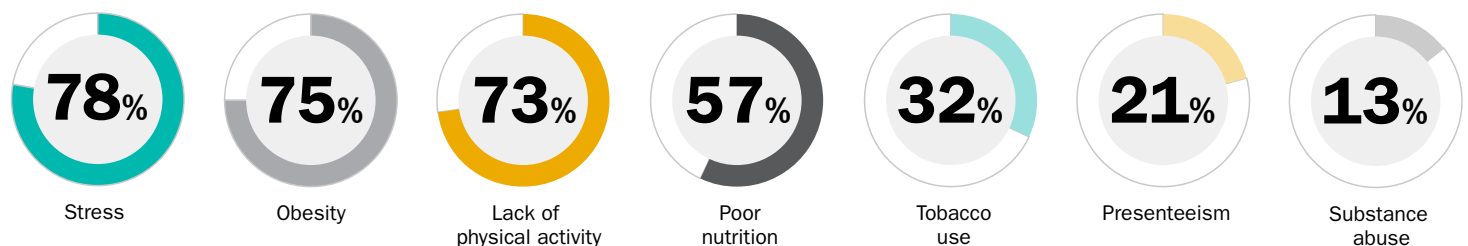


Figure 14. Employers versus employees: Sources of stress

	Employer view	Employee view
Lack of work/life balance (excessive workloads or long hours)	1	5
Inadequate staffing (lack of support, uneven workload or performance in group)	2	1
Technologies that expand availability during nonworking hours (e.g., mobiles, notebooks)	3	10
Unclear or conflicting job expectations	4	3
Fears about job loss; too much change	5	7
Lack of supervisor support, feedback and role modeling	6	6
Fears about benefit reduction/loss (e.g., lower value or loss of health care coverage, reduction in retirement benefits)	7	9
Organizational culture, including lack of teamwork, and tendency to avoid accountability and assign blame to others	8	4
Low pay or low increases in pay	9	2
Lack of technology, equipment and tools to do the job	10	8

Source of employee data: 2013 Towers Watson Global Benefits Attitude Survey (GBAS) completed by 5,070 U.S. workers at companies with 1,000 or more employees

Note: Companies responding 3, 4 or 5 on a 5-point scale; employees choosing top three sources of stress

Towers Watson View

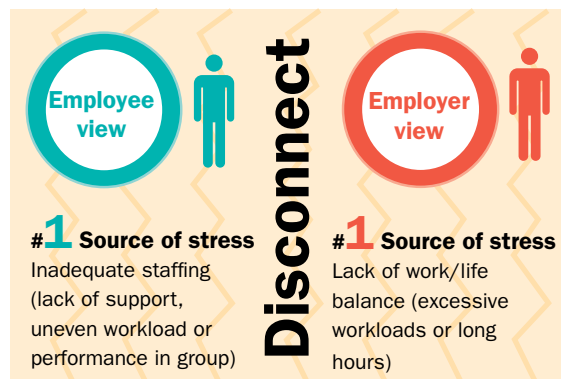


To adequately address stress, employers need to understand its root causes. Employers committed to reducing stress in their workforce can start by understanding their employees' stress drivers, and then reviewing their health and workforce programs in light of the findings. They can then leverage what employees already are doing to manage their stress levels by encouraging them to take their full vacation time, designing company-sponsored physical activities and offering formal programs that teach employees how to manage the sources of stress. Employers must also recognize that some stress is caused by factors over which they have significant control — including employee compensation, lack of adequate staffing levels, unclear or conflicting job expectations, and organizational culture. Improved manager training, clear direction on the job and a review of compensation practices could help alleviate these stressors.

Addressing the Wrong Stress Drivers

This disconnect between employer and employee views of the causes of stress can have unintended consequences. Employers that focus efforts on their own views of the causes of stress, rather than their employees', risk diverting time and resources to addressing the wrong problems, and alienating employees.

Employees clearly need help managing stress, but there is a significant gap between employer attempts to address stress issues and the steps employees themselves take. For example, while 85% of U.S. employers say they promote their employee assistance program (EAP) to help employees manage stress (Figure 15), only 5% of employees say they use their company's EAP to help them cope (Figure 16). What's more, some of the steps employees do take — such as shopping, working harder or indulging themselves with food or drink — are unlikely to help reduce stress and could cause additional problems.



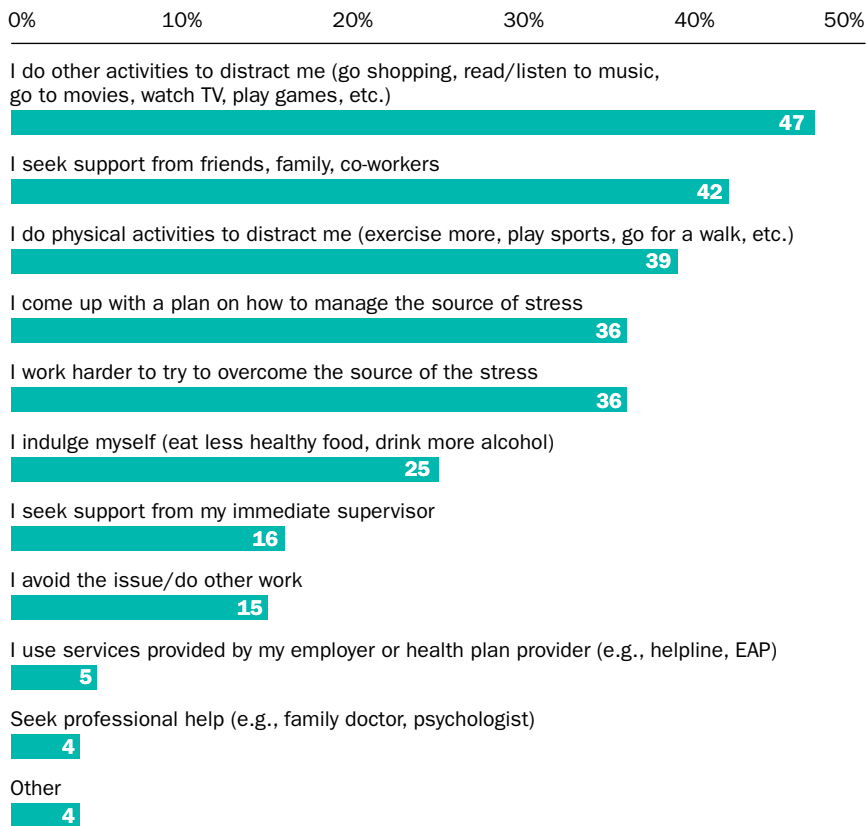
“While 85% of U.S. employers say they promote their EAP to help employees manage stress, only 5% of employees say they use their company's EAP to help them cope.”

Figure 15. Steps taken by employers to manage stress

	United States
Promotion of EAP	85%
Access to financial planning information/services	61%
Flexible working options	51%
Expanding EAP services and/or other stress management activities to dependents	46%
Education and awareness campaigns	40%
Stress management interventions (e.g., stress management workshops, yoga, tai chi)	39%
Training for managers	34%
Specialized training for employees	23%
External specialist/resources used to design and deliver program(s)	23%
Risk assessments/stress audits	22%
Anti-stress space	10%
Written guidelines on stress	7%

Figure 16. Coping with stress

Sedentary and active steps taken by employees



Source: 2013 Towers Watson GBAS

Emerging Trends

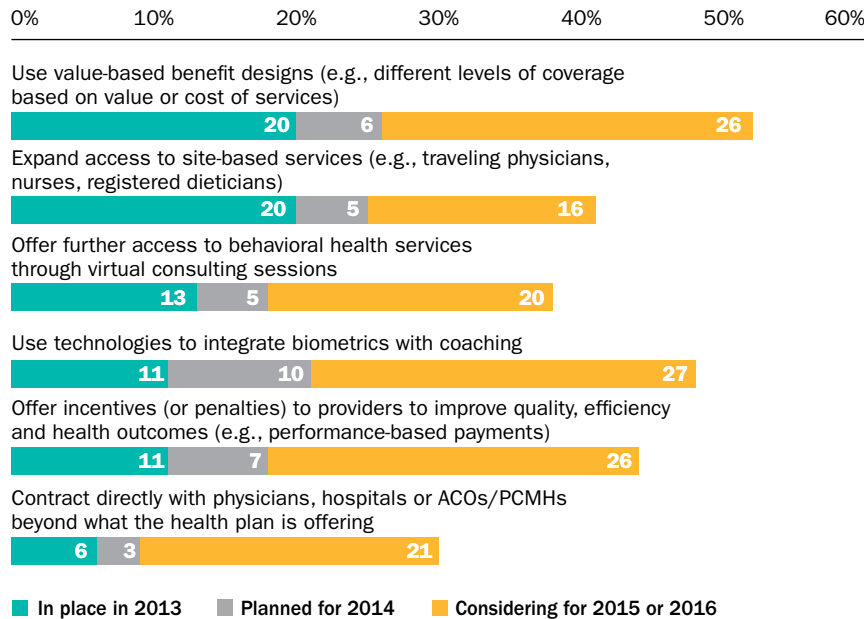
Our survey shows that employers recognize the significant opportunities that provider incentives offer to improve quality and delivery of health care. While a minority of respondents used any of these strategies in 2013, a significant percentage plan to use them in 2014 or are considering them for 2015 and 2016 (Figure 17). The most popular strategies are using valued-based benefit designs that offer different levels of coverage based on the value or cost of services, and expanded use of site-based services such as onsite/near-site centers, or a traveling physician or nurse. While provider incentives and penalties are used by only a small minority now, respondents show interest in pursuing those options.

Towers Watson View



Provider strategies are a part of the overall solution to health care cost and quality concerns, and they are growing in importance. Employers considering this strategy should review the many options available through their health plans and evaluate alternatives, especially when quality and variability of cost and medical outcomes between options are significant. Finally, pilot programs to test new relationships can help ensure value.

Figure 17. Provider strategies to improve quality/efficiency of care

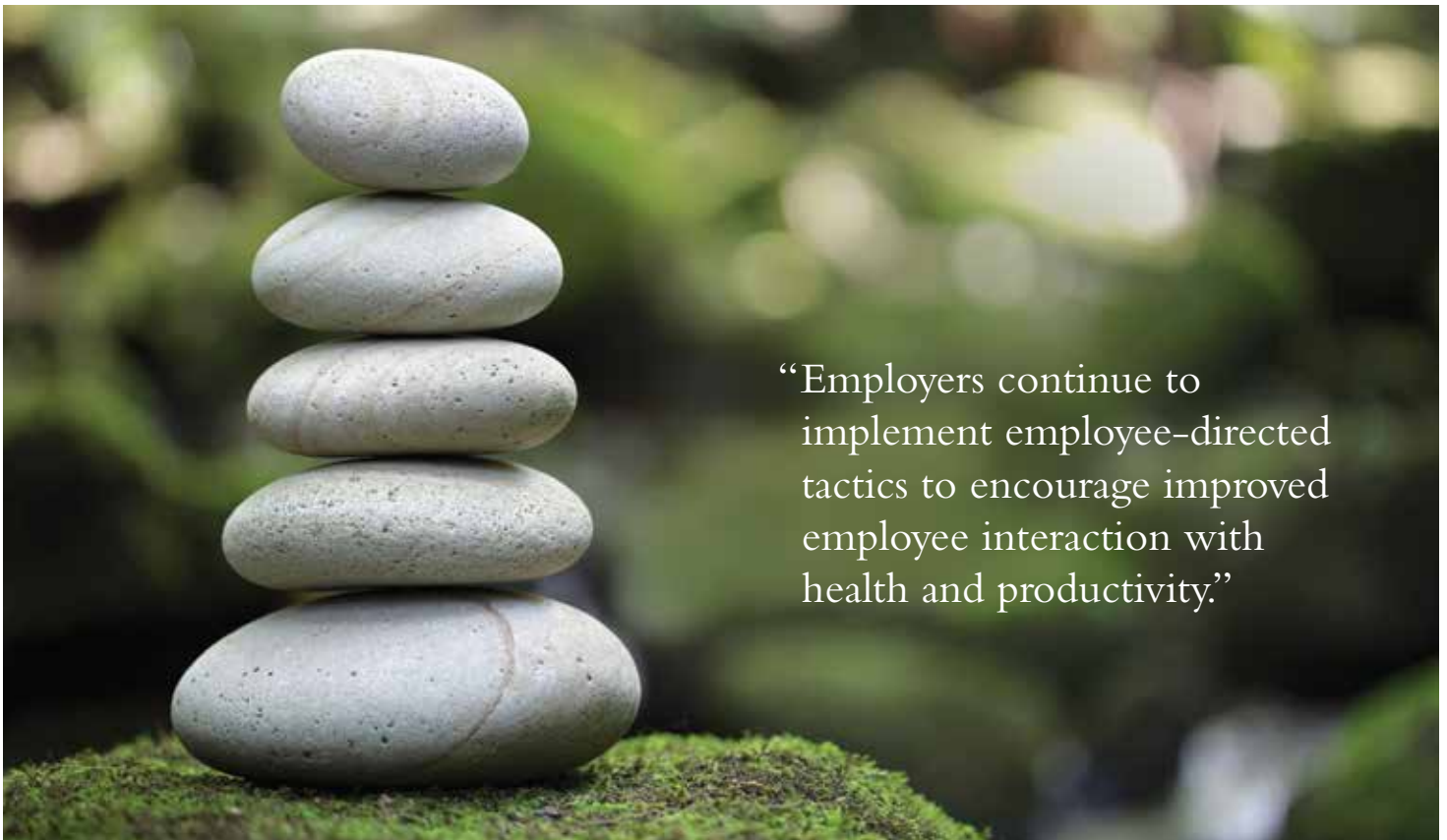
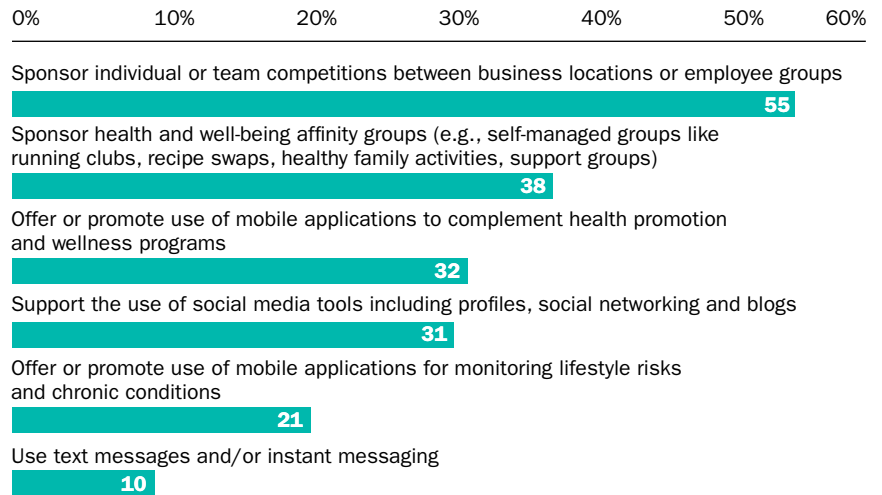


Engagement Tactics to Encourage Participation in Programs

Employers continue to implement employee-directed tactics to encourage improved employee interaction with health and productivity. Sponsoring competitions between employee groups tops the list, followed by sponsoring affinity groups and promoting the use of mobile apps (Figure 18).

Figure 18. Tactics to encourage employee interaction with health and productivity

In place in 2013

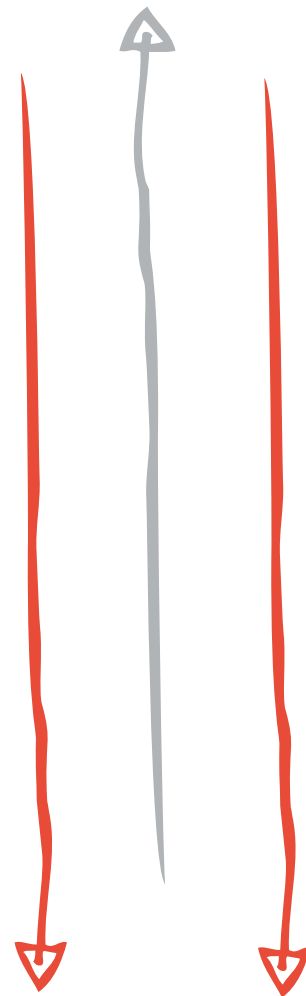
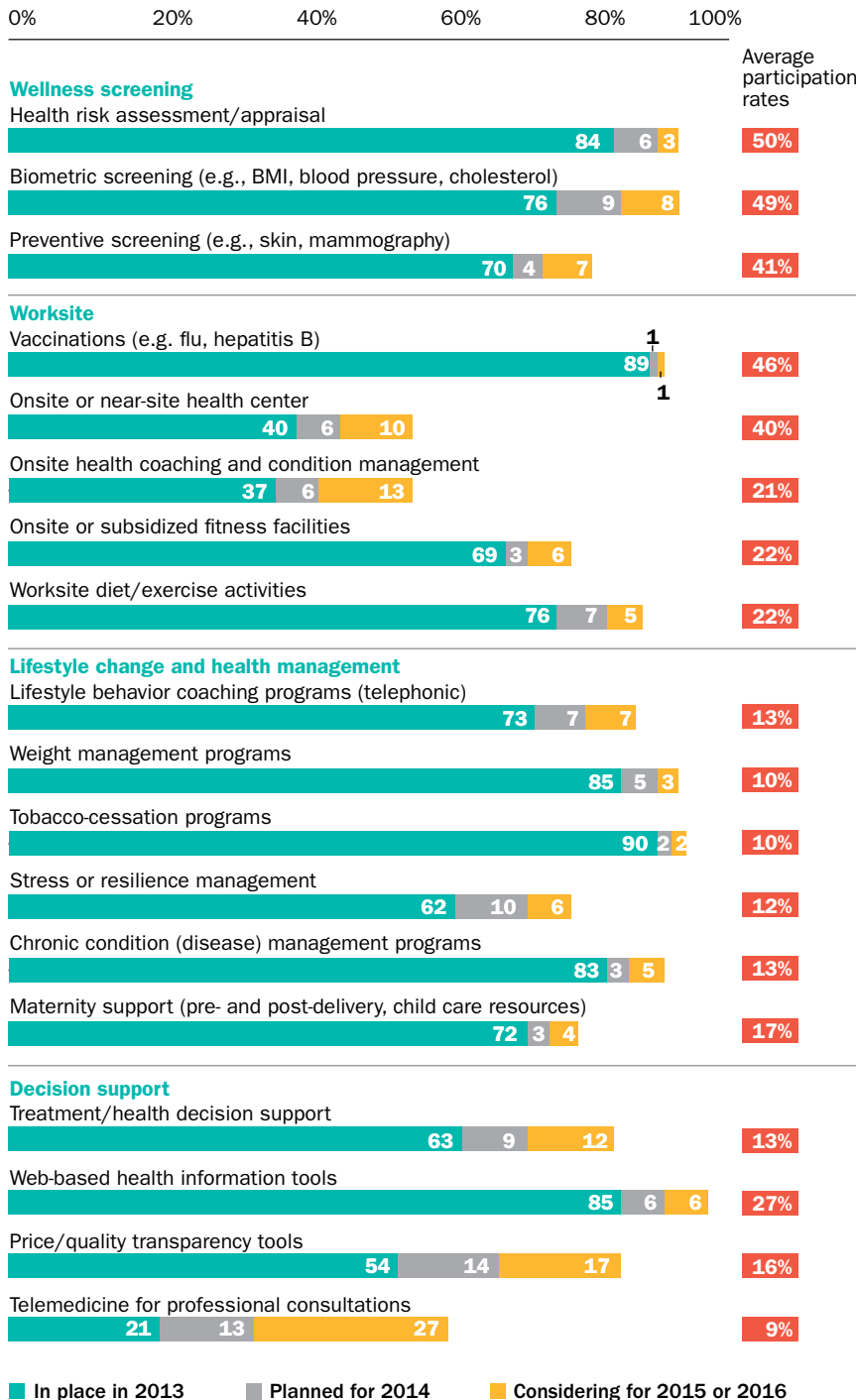


U.S. employers also continue to increase the number of health and productivity program offerings. The vast majority now offer wellness screening, worksite health and well-being services, lifestyle change, and health and decision support — and the percentage continues to grow.

More Programs, Lower Participation

Programs are clearly maturing and have now become commonplace among U.S. employers, and they represent an important part of the health and productivity strategy (Figure 19). However, average employee participation rates leave much to be desired. On average, participation in programs are low, with health appraisal participation at an average of 50%, and for the truly critical programs (including lifestyle change and health management programs such as weight management programs, chronic disease management and stress management), participation rates are far below 20%. In addition, employees are unlikely to use decision support tools and resources.

Figure 19. Health and productivity programs (U.S.)



Financial incentives continue to be widely used by U.S. employers for at least some program elements, particularly wellness screening, outcomes-based incentives and tobacco cessation. While there is some interest in penalties and restrictions for nonparticipation, the only significant use by employers is for tobacco use or cessation, when outcomes-based incentives are used. The amount of financial incentive varies widely (Figure 20).

Building a Healthy Workplace

Over the next three years, employers plan to shift their incentive strategy away from primarily rewarding desired behaviors or improved health status, to a focus on building a healthy workplace culture (Figure 21).

Towers Watson View



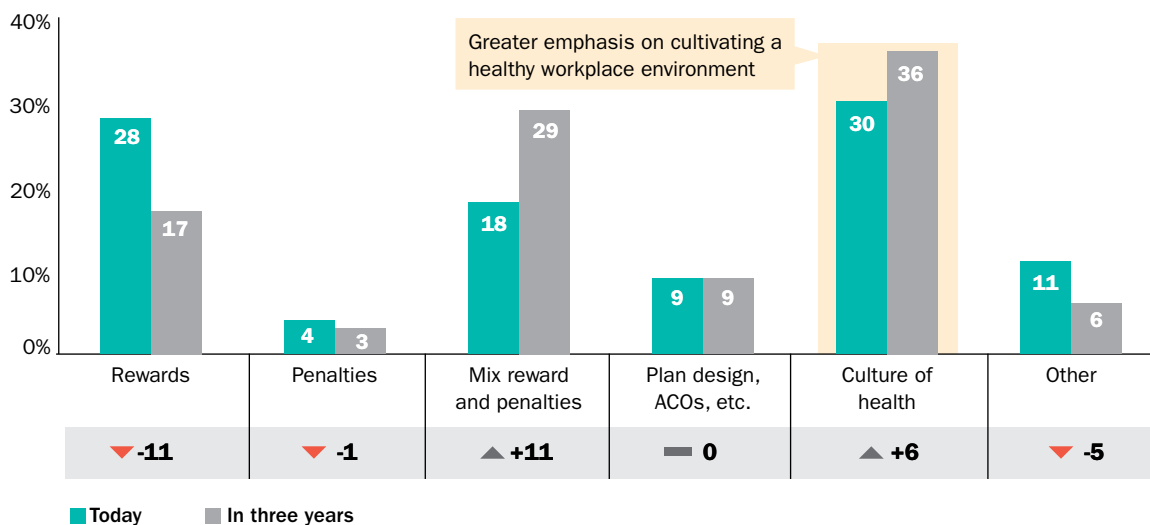
While the number of employers offering health and productivity programs continues to increase, the persistent lack of employee participation is troubling and costly. Employers can start by understanding what employees value. Based on those findings, they can then set program strategies and priorities, implement program elements, measure progress and modify program elements based on results. The goal: to develop and manage a program that results in sustainable change, is valued by members and has relevance to the business.

Figure 20. Most incentivized programs

	% using any financial incentive	% using a penalty	Mean/Median (\$s)
Health risk assessment/appraisal	88%	11%	270/125
Biometric screening	85%	11%	327/175
Tobacco-cessation programs	54%	14%	249/125
Worksite diet/exercise activities	47%	0%	182/75
Weight management programs	47%	1%	166/75
Lifestyle behavior coaching programs (telephonic)	46%	2%	158/75
Onsite health coaching and condition management	42%	2%	160/125

Note: Based on companies offering a program

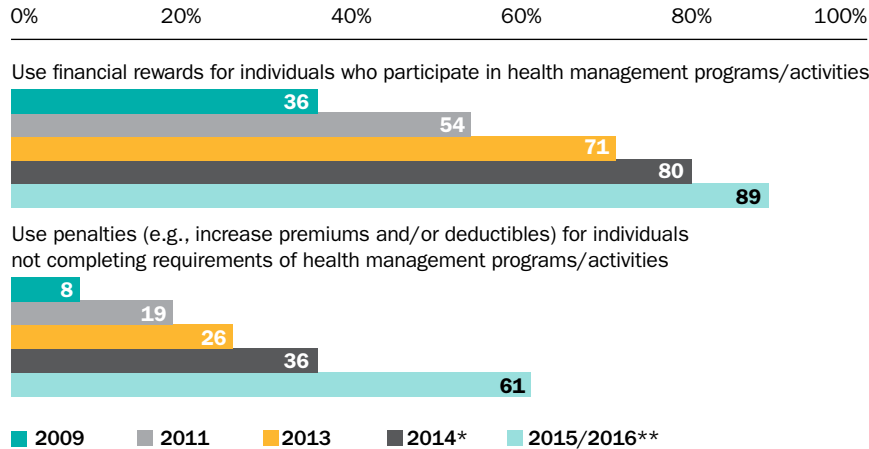
Figure 21. Financial incentives are the primary strategy to encourage healthy lifestyles



Note: "Other" includes those that responded that they didn't have a strategy.

And while employers plan to increase their use of incentives, the use of penalties such as increases in premiums or deductibles for employees who don't complete the requirements of health management activities will grow even more (Figures 22 and 23).

Figure 22. Financial rewards versus penalties (U.S.)



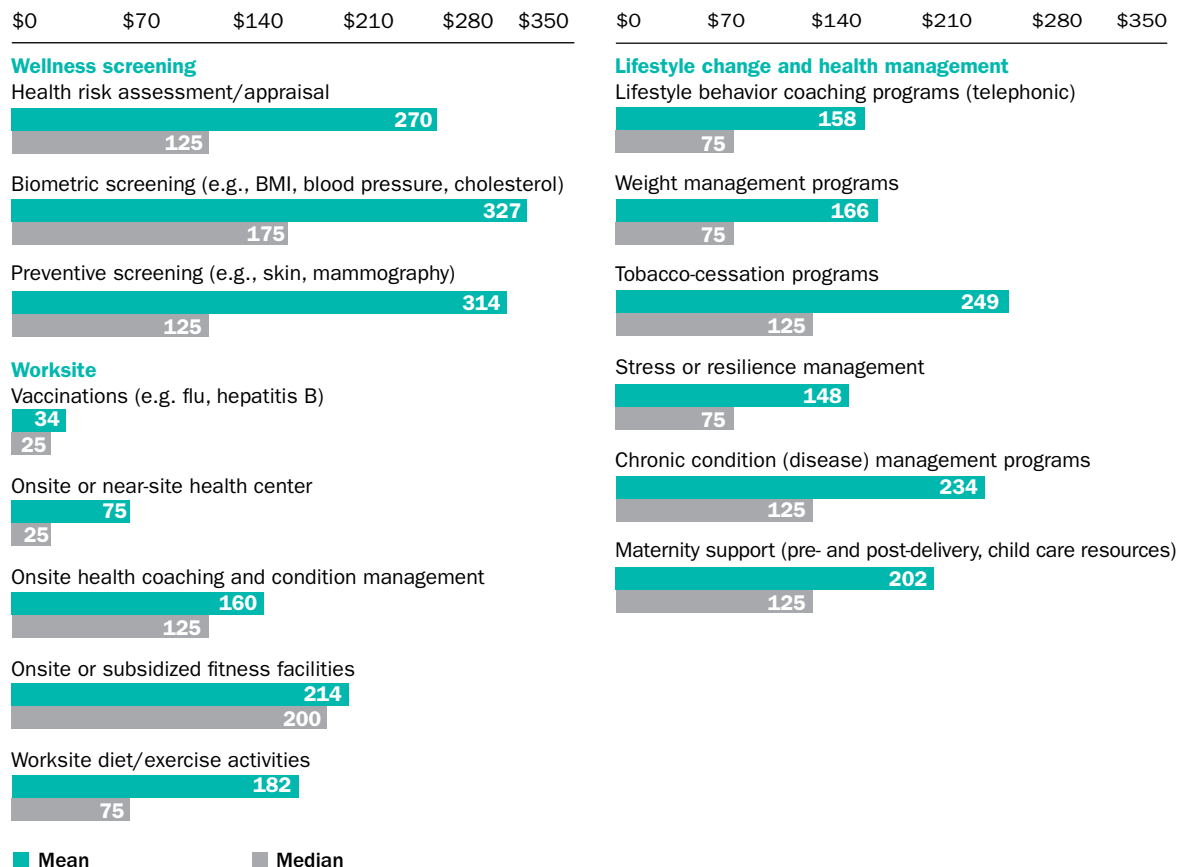
Notes: Based on U.S. companies: 2009 is based on 2009/2010 Staying@Work Survey, and 2011 is based on 2011/2012 Staying@Work Survey.

* Estimates are based on companies "planning" to adopt the tactic in 2014.

** Estimates are based on companies considering the tactic for 2015/2016.

Figure 23. Financial incentive amounts for program participation (U.S.)

Average and median incentive amount for companies that offer financial incentives



Note: Based on companies offering the program and a financial incentive



Towers Watson View

This finding represents an important shift away from a focus solely on individual behavior change, and a shift toward a focus on both individual change (including imposing penalties for noncompliance) and a healthy workplace culture. Consequently, we believe employers will actually begin to spend less on incentives, and instead shift to social and workplace cultural levers to drive behavior change. Local strategies and local culture change are more difficult to effect, but employers that have done so see significant overall improvement in health and absenteeism, as well as benefit cost reduction.

In addition, over the three next years, employers plan to institute tougher requirements for employees to earn incentives — another major shift in strategy (Figure 24).

The number of employee incentives continues to increase. Two years ago, the mean incentive was \$432, about a 50% increase over the previous two years. Today the mean is \$649, but there is wide variation in amounts, from \$1,400 at the 90th percentile to \$150 at the 10th percentile. For employees not enrolled in the health plan, mean incentives are \$355 (Figure 25).

Figure 24. Tougher requirements to earn incentives or avoid penalties (U.S.)

	2013	2014*	2015/2016**
Program design components			
Reward locations that achieve high levels of health engagement	7%	15%	36%
Apply rewards (or penalties) and/or requirements under your wellness and health management program to employees and spouses alike	28%	36%	62%
Design incentives to deliver frequent and smaller amounts throughout the year	20%	32%	46%
Design programs to measure and reward individuals for making progress toward a healthy lifestyle (e.g., reward progress toward achieving physical activity of 150 minutes per week, smoke-free status)	17%	28%	66%
Requirements			
Require employees to complete requirements of wellness and health management activities (beyond simply enrolling in a program) in order to receive reward (or avoid penalty)	39%	49%	77%
Require employees to take specific steps in order to be eligible for other financial incentives for wellness and health management activities (i.e., gateway approach)	32%	44%	70%
Require employees to take specific steps to receive any subsidized coverage under your health plan	16%	19%	39%
Require employees to take specific steps to enroll in your health plan	11%	13%	28%
Require employees who get certain types of medical procedures without first seeking additional input (e.g., second opinion services) to pay a higher cost share	4%	6%	22%

* Estimates are based on companies “planning” to adopt the tactic in 2014.

** Estimates are based on companies considering the tactic for 2015/2016.

Figure 25. Employee and dependent earnings for meeting requirements of wellness programs varies widely

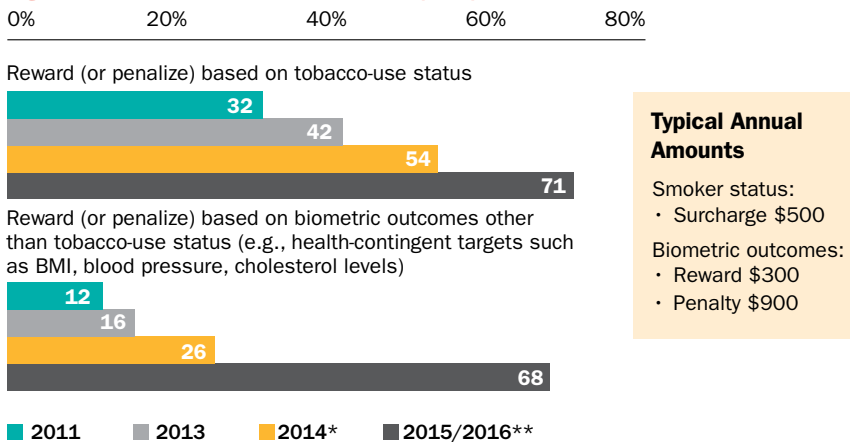
	Employees enrolled in health plan	Employees not enrolled in health plan	Spouses	Domestic partners	Children
90th percentile	\$1,400	\$500	\$900	\$900	\$600
Mean	\$649	\$355	\$482	\$459	\$561
10th percentile	\$150	\$100	\$100	\$100	\$50
Percentage offering any incentives	100%	41%	46%	35%	9%

Outcomes-Based Incentive Programs

A significant minority of employers currently use outcomes-based incentives or penalties for tobacco-use status, and more plan to do so in the future. However, while outcomes-based incentives and penalties based on biometric outcomes such as blood pressure and cholesterol levels are used by only a small percentage of employers now, more than two-thirds plan to implement them by 2015 or 2016 (Figure 26).

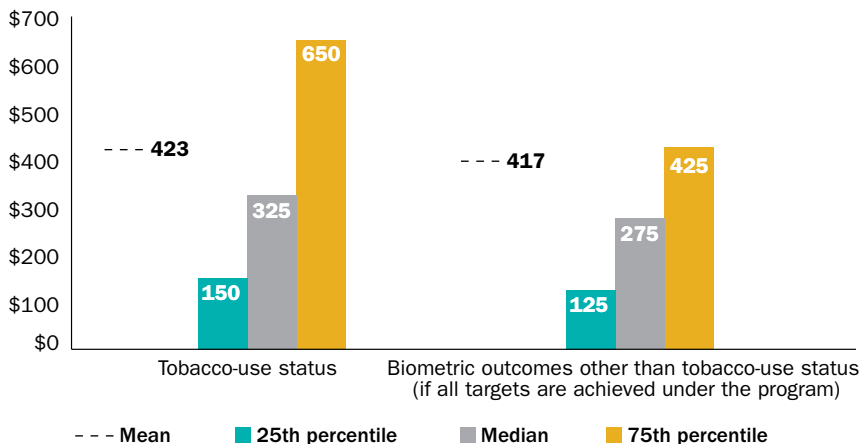
Employers appear willing to pay slightly greater incentives overall to employees who quit smoking than they are for employees who achieve other

Figure 26. Outcomes-based incentives (U.S.)



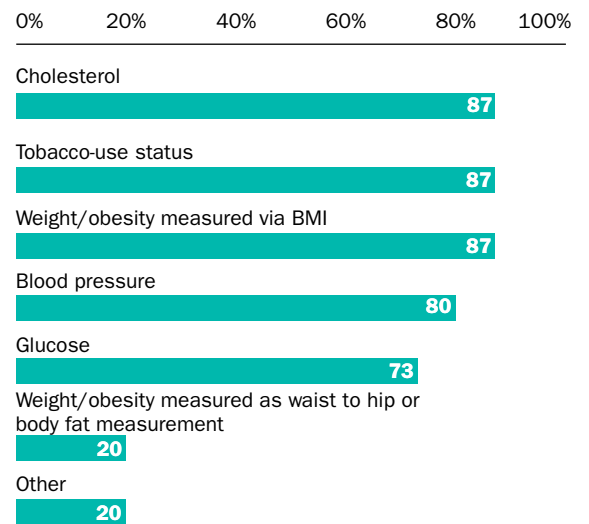
Notes: Based on U.S. companies. 2011 is based on 2011/2012 Staying@Work Survey.
 * Estimates are based on companies "planning" to adopt the tactic in 2014.
 ** Estimates are based on companies considering the tactic for 2015/2016.

Figure 27. Annual financial incentive amount under outcomes-based incentive programs (U.S.)



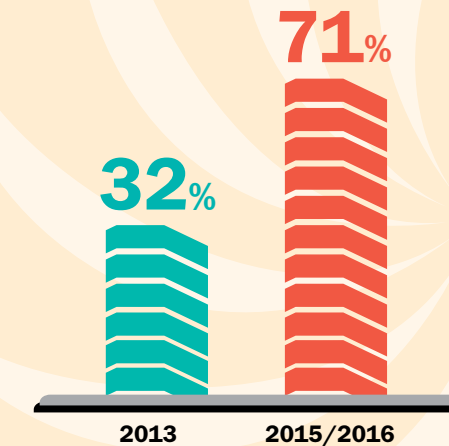
biometric measures, with the mean for tobacco cessation at \$423 and that for other measures at \$417 (Figure 27). Biometric targets for wellness programs center on cholesterol, tobacco-use status, weight/body mass index, blood pressure and glucose (Figure 28).

Figure 28. Biometric targets of outcomes-based wellness programs



Outcomes-based incentives are growing in popularity.

More employers plan to increase reward (or penalty) for employee tobacco-use status in the next three years.



Design of Outcomes-Based Wellness Programs

While 46% of employers apply incentives separately for each target health factor today, only 20% anticipate doing so in three years (Figure 29). There's no clear direction for future use of incentives, with some companies shifting to a system where the maximum incentive is based on either achieving a portion of target health factors or achieving a given composite score on target health factors. Employer incentive programs focus on obesity, tobacco use, cholesterol, blood pressure and glucose. Respondents report that 33% of employees earned the maximum financial incentive by achieving all biometric targets (no reasonable alternatives requested), while 18% earned the maximum financial incentive despite missing some or all biometric targets by complying with the reasonable alternative standard requirements, or they received a waiver. Finally, 21% earned at least some of the financial incentives but less than the maximum (any combination of biometric targets and reasonable alternatives), and 27% did not earn any of the financial incentives.

Towers Watson View



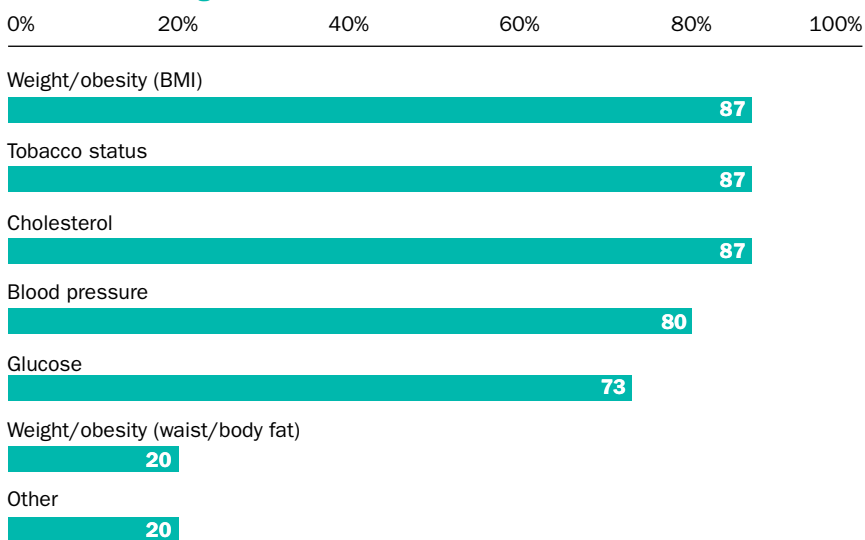
Outcomes-based programs are increasing in popularity; however, the new wellness regulations imposed by health care reform have significant restrictions and many unknowns, which may cause employers to reevaluate their incentive strategy. We believe that a well-designed mix of rewards and penalties, paired with social support for change, group awards and the potential for employees to “win” contributions to charities, can begin to shift incentives to intrinsic motivators (and away from extrinsic). We see significant evidence that intrinsic motivators present a higher likelihood for prompting long-term change. In addition, with the emerging shift of responsibility for population health and clinical improvements to providers, accountable care organizations (ACOs) and patient-centered medical homes (PCMHs), employers are in a position to collaborate with providers to achieve better engagement and outcomes.

Figure 29. Typical design of an outcomes-based wellness program

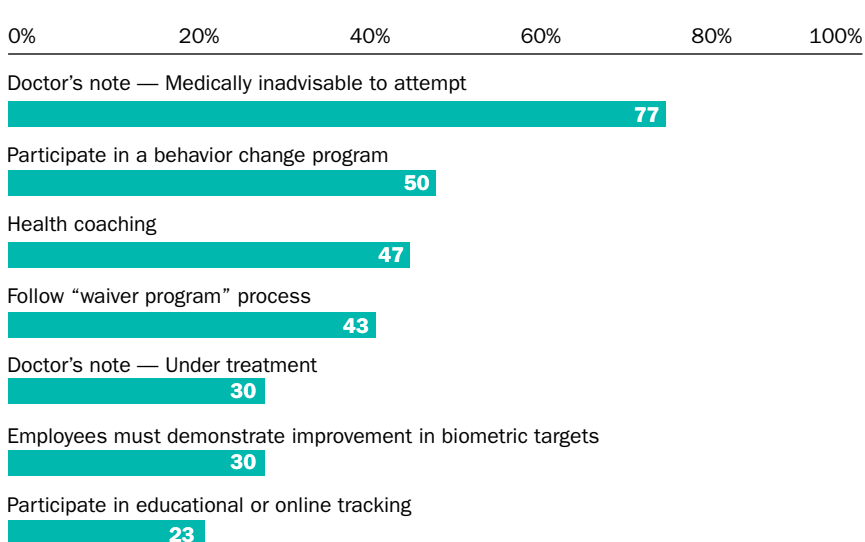
Incentive design

	Today	In 3 years
Incentives are applied separately for each target health factor	46%	20%
Use an all-or-nothing approach	21%	13%
Maximum incentive is based on achieving a portion of the target health factors	21%	27%
Maximum incentive is based on composite score of the target health factors	4%	7%
Other	18%	13%
Don't know	4%	33%

Health factors targeted



Reasonable alternatives



Health and Productivity Partnerships

A comparison of health and productivity programs offered (see Figure 19, page 22), and health and productivity partners (Figure 30), shows some interesting linkages. For example, specialty vendors are more likely to deliver lifestyle programs, wellness screening (currently used by well over half of U.S. respondents), wellness coaching (used by 73% of respondents), stress management and tobacco-cessation programs (used by 62% and 90% of respondents, respectively), while medical insurers are more likely to offer care delivery services such as pricing tools, condition management, health information and decision support.

While family and medical leave administration (FMLA) and absence management are generally insourced now, there is a growing trend toward outsourcing FMLA.

Towers Watson View



Partners can be instrumental in helping employers gather aggregate employee health data that can be used to identify organization-specific health issues, understand program usage and effectiveness, and adjust programs and health and productivity strategy accordingly.

Figure 30. Health and productivity program partners (U.S.)

	Medical insurer — Standard services	Medical insurer — Optional services	Specialty vendor(s)/ provider(s)	Internally staffed	Other
Wellness screening					
Health risk assessment/appraisal	30%	14%	50%	5%	11%
Biometric screening	14%	13%	65%	11%	11%
Worksite					
Worksite diet/exercise activities	9%	4%	60%	46%	10%
Onsite or near-site health center	6%	4%	57%	34%	11%
Lifestyle and condition management					
Chronic condition management programs	46%	26%	27%	7%	6%
Tobacco-cessation programs	30%	16%	49%	12%	10%
Stress or resilience management	25%	15%	60%	15%	10%
Lifestyle behavior coaching programs	25%	12%	54%	13%	8%
Weight management programs	26%	10%	63%	17%	9%
Absence/disability management					
Disability management	7%	4%	47%	36%	25%
Absence management	6%	3%	35%	52%	21%
Family medical leave administration outsourcing	3%	2%	32%	52%	20%
Decision support and tools					
Price/quality transparency tools	69%	11%	14%	4%	9%
Web-based health information tools	61%	9%	38%	10%	11%
Treatment/health decision support	56%	14%	30%	5%	9%

Note: Respondents offering a program could select multiple partners for each program. Results are based on companies offering the program.

Program Measurement

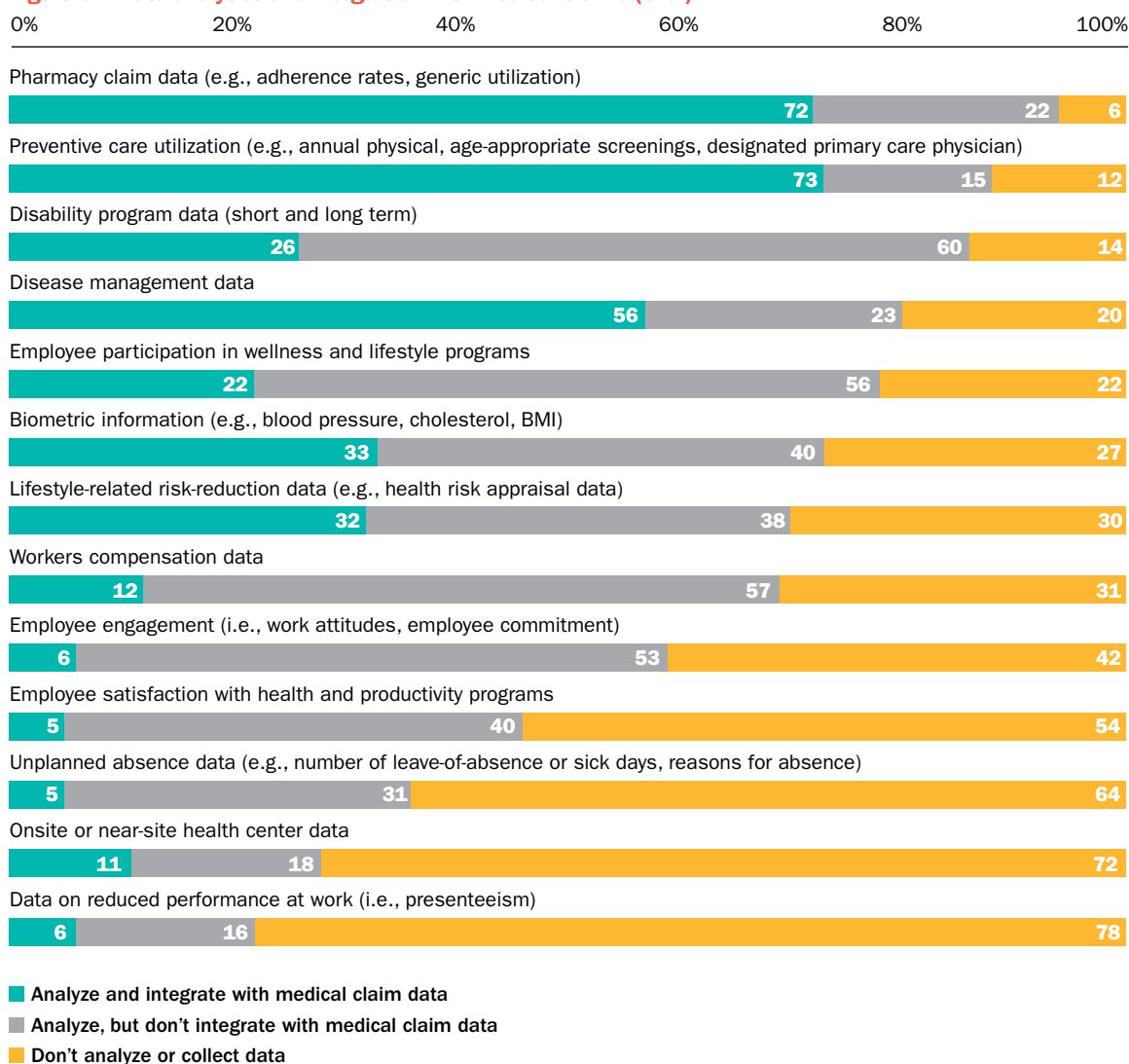
Many respondents analyze data available to them in isolation — with the exception of preventive care, pharmacy and disease management (*Figure 31*). However, data that may illustrate important insights into employee engagement, health behavior and work loss continue to be viewed in isolation. Absence, employee satisfaction and presenteeism rates are generally not measured or tracked at all.

Towers Watson View



A push to gather data on topics such as employee satisfaction with programs, levels of presenteeism, as well as integrated views across multiple data sets, can provide an employer with a broader range of information against which to measure the effectiveness of health and productivity programs.

Figure 31. Data analytics and integration with medical claims (U.S.)



Note: Based on all respondents offering and not offering the program

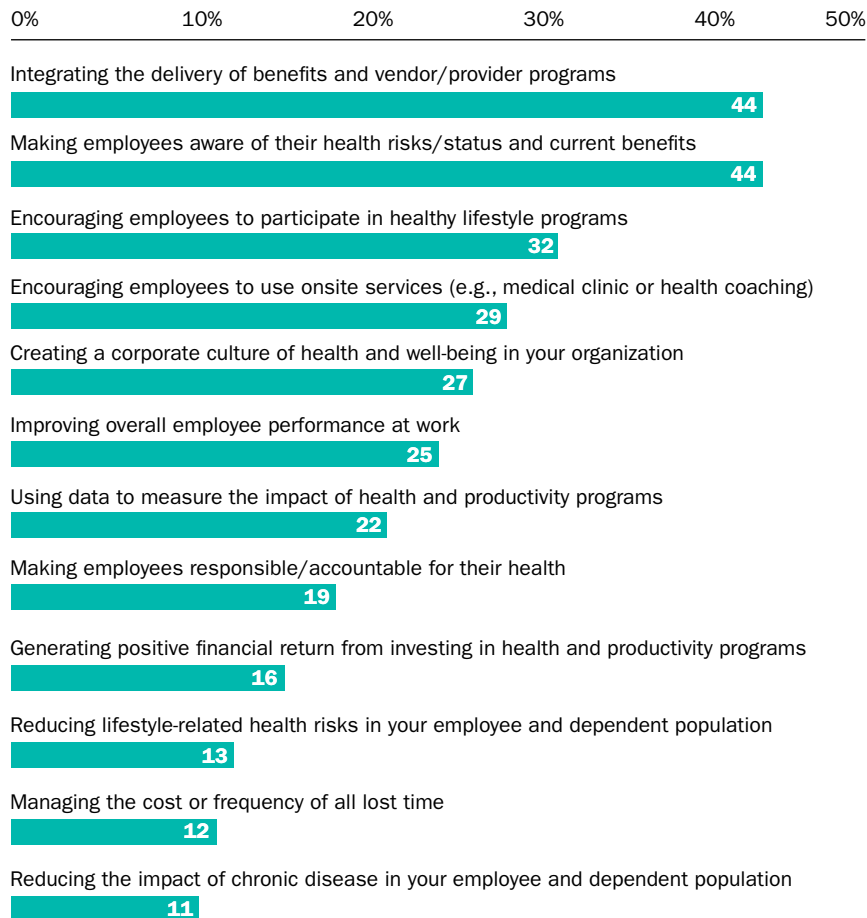
Overall Health and Productivity Effectiveness

The Staying@Work Survey contains 18 items — a combination of health program effectiveness and workforce effectiveness measures — that reflect respondents’ self-assessment of their effectiveness in delivering elements essential to developing a

healthy and effective workforce (*Figure 32* below and *Figure 33* on page 31). Together, the data build a diagnostic of the effectiveness of companies’ health and productivity strategies and programs.

Figure 32. Health program effectiveness (U.S.)

Extent your organization has been effective in each of the following areas



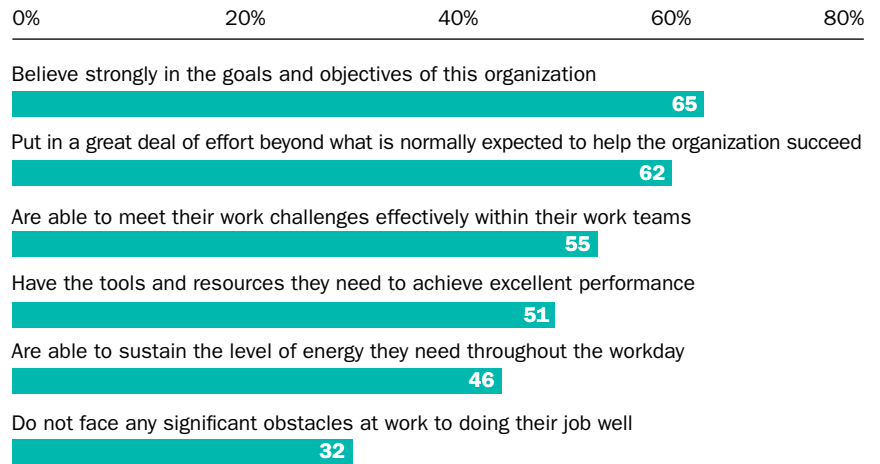
Note: Companies responding 4 or 5 on a 5-point extent scale

In general, employers give higher ratings to their workforce effectiveness measures than they do to their health program effectiveness. In fact, on every measure, fewer than half of U.S. employers say their programs have been effective, and the figures are especially low for areas directly related to outcomes, such as reducing the impact of chronic disease among employees and reducing lifestyle-related health risks. These are presumably the very problems that health and productivity programs are attempting to address, and certainly key drivers of health care costs.

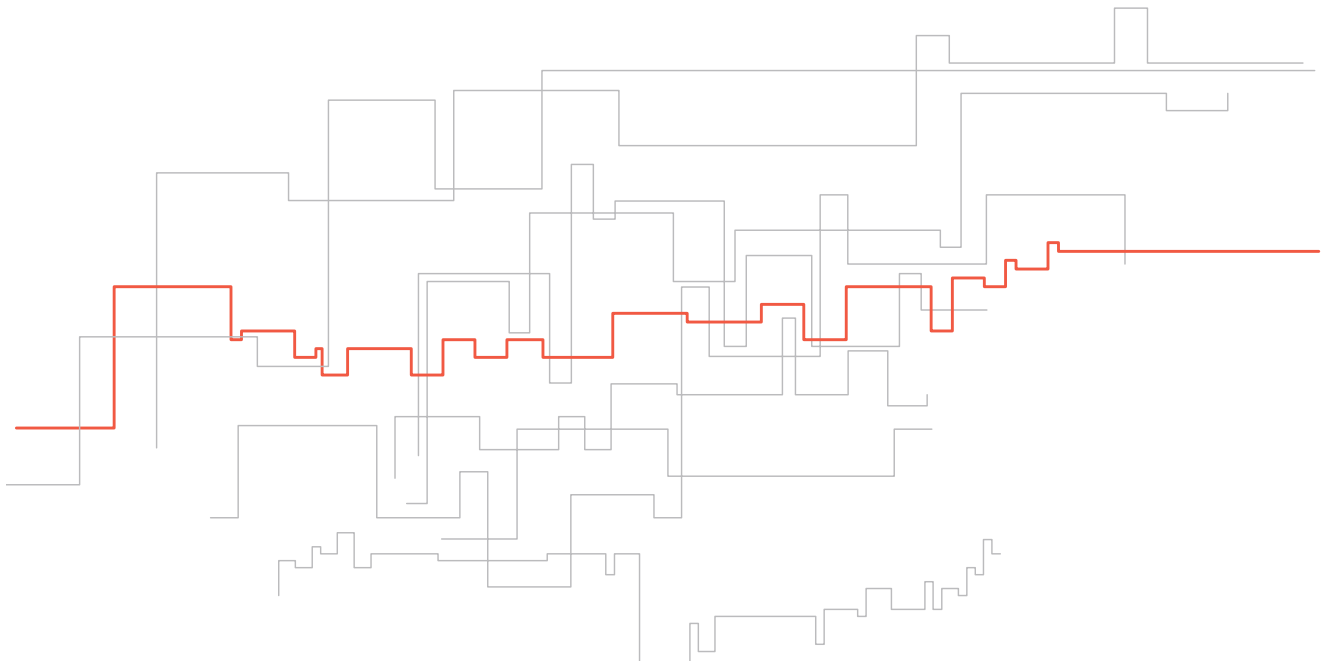
By contrast, employers say their employees believe in the objectives of the organization, put in extra effort to help the organization succeed, are able to meet work challenges and have the resources they need to achieve excellent performance. Employers are less likely to say that employees have the energy they need throughout the workday or do not face significant obstacles to doing their job well.

Figure 33. Workforce effectiveness (U.S.)

Employees at your organization:



Note: Companies responding 4 or 5 on a 5-point extent scale



A Highly Effective Health and Productivity Company's Road to Success

Baylor Health Care System's (BHCS's) proactive and comprehensive employee wellness program has earned recognition as a highly effective health and productivity organization. BHCS is a not-for-profit health care provider based in north Texas that serves 1.4 million patients annually.

BHCS's award-winning Thrive wellness program engages employees and their families to improve their overall health, wellness and productivity through leadership support, and leading-edge strategies and programs. The program's strategy focuses on creating a supportive environment, offering a variety of wellness-related services, delivering appropriate interventions and achieving behavior change through the use of incentives, data and diagnostics.

Leadership commitment, starting with the CEO, sets the tone and fosters a supportive environment for employees. Leaders are expected to act as champions and "own" the health and wellness culture. This leadership by example is an important factor in BHCS's ability to cultivate healthy lifestyles.

BHCS also creates a healthy environment through its tobacco and on-campus nutrition policies. BHCS has taken an aggressive stand against tobacco. In 2007, it established tobacco-free campuses. A tobacco surcharge for current employees and spouses enrolled in the medical plan followed in 2011. In 2012, BHCS stopped hiring nicotine users.

BHCS cafeterias eliminated trans fat from menu ingredients, removed high-sugar drinks and snacks, and the vending machines have 100% healthy options for snacks and beverages.

BHCS recognizes that wellness is not "one size fits all," so it offers a variety of ways for employees to get involved. The Thrive wellness program provides wellness-related services, such as health coaching, biometric screenings, tobacco cessation, weight management, online tools and resources, wellness challenges and health seminars.

The weight management program, Naturally Slim, includes 10 weekly sessions and has had approximately 2,000 participants. Average weight loss is eight pounds. Over two-thirds (67%) of employees have maintained their weight loss or lost more weight since the program's inception in 2011 — a significant accomplishment.

The Baylor Quality Alliance (BQA), another effective program, provides employees access to more than 1,400 physicians who have met certain quality standards. In addition, employees who use a BQA physician benefit from higher plan value through increased medical coverage. The BQA provides disease management through a department of registered nurses and health coaches who help manage chronic diseases not only for BHCS employees, but also for employees of other corporations.

The department ensures that medical care is coordinated across providers and that patients have access to the right treatment.

Based on employee feedback, BHCS added financial incentives and penalties that go beyond its premium discount program to promote accountability and healthy behaviors. Employees and spouses who complete a wellness assessment and biometric health screening at a physician's office are eligible for cash rewards. On the other hand, employees who are in the BHCS medical plan and don't comply are subject to a wellness surcharge. More than 90% of employees participate in the wellness assessment and health screening.

BHCS believes that good data management and analysis allow it to determine employee population needs and the best programs to offer. Information such as biometric screening results, medical claims and disability claims are stored in a third-party data warehouse. BHCS uses its data warehouse to review high-risk populations that need targeted efforts. The data are analyzed by job family and facility to help the organization offer meaningful prevention and intervention initiatives.

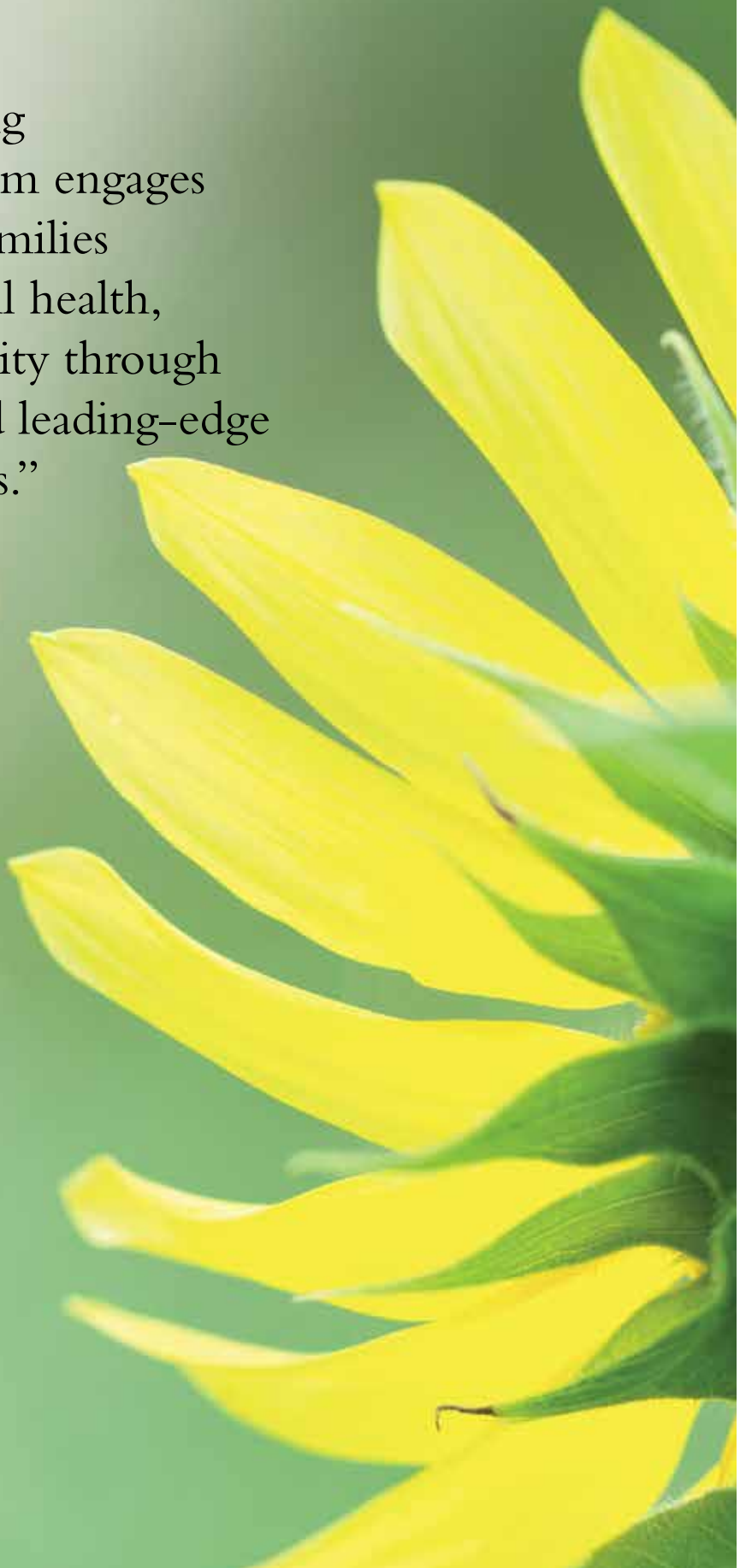


Through an independent external review, BHCS has documented a return on investment of **\$2.44 for every dollar spent** on wellness programs.

BHCS is pleased with the results of its wellness program. Through an independent external review, it has documented a return on investment of \$2.44 for every dollar spent on wellness programs. The engaged population has a medical trend of 6.9%, compared to 11.8% for the nonengaged population. In addition to the cost savings, the program has an outstanding 95% satisfaction rating among employees.

BHCS has advice for other organizations that want to build a healthy workplace culture: Secure senior leadership and board support of the wellness program. Leaders need to act as champions, which will influence employees to change their behaviors. Organizations struggling to get leadership buy-in, for example, can present data that show the value and importance of a healthier workforce. Ultimately, BHCS encourages employers to simply begin, even if the first efforts are small. A walking club is simple to establish, for example, and doesn't require a major investment.

“BHCS’s award-winning Thrive wellness program engages employees and their families to improve their overall health, wellness and productivity through leadership support, and leading-edge strategies and programs.”



Conclusion: How High-Effectiveness Organizations Are Finding a Better Way to Build a Culture of Health

Based on the Staying@Work Overall Health and Productivity Effectiveness (OPHE) scorecard in the U.S., 33% of respondents were deemed low-effectiveness companies, 34% medium effectiveness and 33% high effectiveness. Companies with high OPHE scores use a different approach from other organizations, and their programs are clearly more successful.

First, high-effectiveness organizations' employees are more engaged in their own health and well-being:

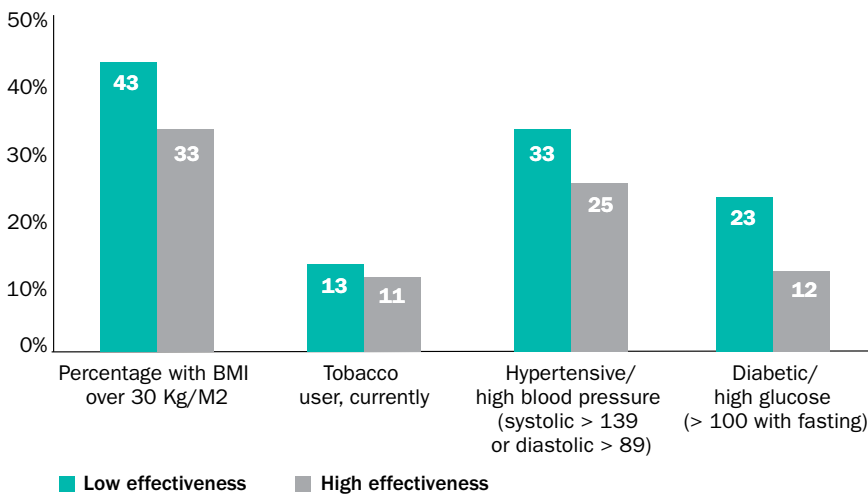
- High-effectiveness organizations have a 66% employee participation rate in any wellness activity or health management program, compared to 45% for low-effectiveness organizations and 51% for all U.S. respondents.

- 57% of employees at high-effectiveness organizations complete the health risk assessment and biometric screening, compared to 38% for low-effectiveness organizations and 45% for respondents overall.

Second, there is a strong link between highly effective health and productivity strategies, and strong human capital and financial results:

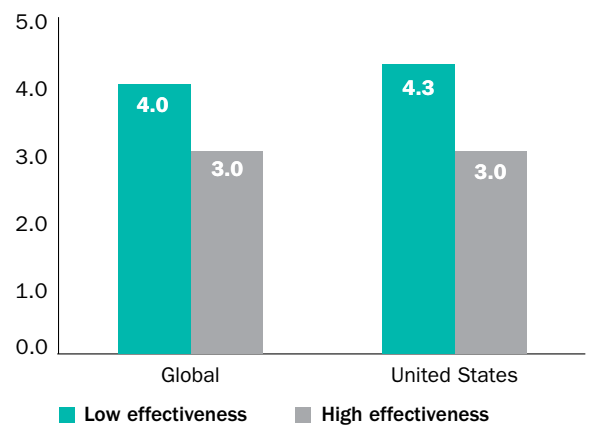
- High-effectiveness organizations' employees in the U.S. have obesity rates (body mass index > 30) that are 25% lower than low-effectiveness companies (33% versus 43%), and the rate of diabetes/high-glucose risks are roughly half (12% versus 23%) (Figure 34).
- In 2012, unplanned absences for high-effectiveness organizations were lower (3.3 versus 4.0 days per year), and respondents expect them to be as low or lower in 2013 (3.0 versus 4.3 days per year) (Figure 35).

Figure 34. Health risks



Note: Based on 78 U.S. companies

Figure 35. Unplanned absence in days per year (2013)



Notes: Based on 314 companies from all regions — includes unscheduled absences, typically five days or less, such as incidental sick days and personal/leave, which are not disability-related

- High-effectiveness companies are 40% more likely to report financial performance above their peers over the last year than low-effectiveness companies (63% versus 45%). In fact, high-effectiveness companies are nearly 80% more likely to report their financial performance as significantly higher than their peers (20% versus 11%),
- In the U.S., there is a differential in annual health care costs of more than \$1,600 per employee (Figure 37), giving a company with 20,000 employees a \$32 million cost advantage over low-performing organizations.

High-effectiveness organizations take a holistic view of health and productivity that focuses on several areas:

- Gaining the commitment of senior leadership, securing resources and funding, and committing to a comprehensive strategy
- Developing a comprehensive strategy that reflects the organization’s specific challenges and goals, is based on identified population health issues and absence data, and integrates every aspect of health and productivity, including the organization’s approach to health benefits, its tactics for ensuring employees’ engagement in their own health and well-being, and the management of vendor relationships
- Implementing employee engagement strategies that promote a supportive environment, offer financial incentives for program participation and provide tools to help employees understand their best health care options
- Engaging managers as role models for a healthy lifestyle and training them to provide the face-to-face communication employees need
- Communicating frequently using a combination of high-touch and high-tech tactics
- Taking steps to reduce employee stress by understanding the sources and addressing them through a cohesive, thoughtful strategy

- Providing easy access to high-quality health care — both mental and physical — so employees can address health issues early and receive evidence-based, appropriate care, thereby avoiding or reducing absence
- Understanding health and productivity outcomes by establishing metrics, knowing the baseline statistics for population health and absence, measuring progress against goals and adjusting programs for best results

Figure 36. Financial outcomes (global)

	Overall health and productivity effectiveness		Percentage-point difference: High vs. low
	Low effectiveness	High effectiveness	
Market premium (Tobin’s Q)	7.7%	27.8%	20.1%
Shareholder returns (three-year TRS)	8.9%	14.5%	5.6%
Productivity (revenue per employee) in US\$ 000s	\$287	\$385	\$98

Notes: Market premium (or Tobin’s Q) is the ratio of the market value of equity in 2013 plus the book value of debt divided by the book value of assets minus one. The data include 280 companies whose financial information was publicly available at the time of the survey. In total, 148 companies are included from North America, with the balance located in other regions (n = 132). Industry adjustments were based on a multivariate dummy variable regression model using all publicly available data from Standard & Poor’s Compustat database using two-digit NAICS to define industries.

Figure 37. Health care costs (U.S.)

	Overall health and productivity effectiveness		Percentage-point difference: High vs. low
	Low effectiveness	High effectiveness	
Total plan costs PEPY — 2013	\$11,300	\$9,659	-\$1,641
Trend after plan changes — 2013	7.0%	5.5%	-1.5%

Notes: Health care PEPY costs and trends are based on total employer costs (net employee contributions).

A Z Glossary of Terms

Biometric screening

Screening for cholesterol, diabetes, blood pressure, body mass index or other physiologic indicators of health status

Chronic disease management

Telephonic or in-person behavior change coaching to improve daily self-care, encourage medication compliance and promote appropriate periodic exams/tests for chronic diseases (includes web-based, self-help modules)

Employee assistance program (EAP)

Telephonic or in-person assessment, short-term counseling and referral for addressing personal issues affecting work performance or family life (includes issues related to mental health, substance abuse, legal, financial, family, elder care and day care)

Health management programs/activities

An array of employer-sponsored program offerings including health risk appraisals, biometric screenings, wellness programs, health coaching, disease management and case management that can be delivered directly by employers, through health insurance programs or by selected vendors

Health and productivity

Strategy, tactics and programs to improve employee/family health and the company's workforce effectiveness

Health risk assessment

Self-assessment questionnaire of health risks, health status, health history and presence of disease (can include work loss and job performance)

Lifestyle risk

Aspect of personal behavior or lifestyle associated with an increased occurrence of disease or a health-related event or condition (e.g., obesity, high cholesterol, smoking, lack of exercise and poor nutrition)

Onsite services

Program of integrated primary care, prevention and health promotion efforts, occupational care, and health/disease management and health screening tests provided by health professionals at the worksite

Presenteeism

When an employee is physically at work but not fully productive due to physical or mental health conditions, or due to stress related to job, personal or financial matters

Preventive care

Periodic tests, exams and screenings to detect disease at an early stage or lifestyle issues

Unplanned absence

Very short period of absence, typically five days or less, including incidental sick days and personal days, where the time away from work was not known and approved in advance by the employee's supervisor

Well-being

A holistic concept that links together physical health, effective management of psychological stress and anxiety, and personal connection and belonging

Effectiveness Methodology



To evaluate program effectiveness across the respondent group, we created an overall score by adding an equally weighted value of responses for each of the 18 health and productivity items. This score captures all facets of an effective health and productivity framework in a single summary variable. Responding companies are divided into three equal groups based on their health and productivity effectiveness scores, and companies with the highest values are deemed to have the most effective programs. We examine differences in human capital and financial outcomes by the high-, medium- and low-effectiveness companies in the section Conclusion: How High-Effectiveness Organizations Are Finding a Better Way to Build a Culture of Health, on page 34. These differences show that high-effectiveness companies reap significant financial rewards for their health and productivity investments.

To provide an in-depth look at the characteristics of effective programs, Towers Watson also developed the Health and Productivity Scorecard, which inventories the programs and policies of companies in each of the three effectiveness groups. Using best practices as the standard, the survey asks 220 questions about the tactics and programs companies have in place in 2013. These items are separated into two primary categories: health programs and workforce effectiveness.

Both categories are defined by three key components (pillars) and further broken down into 21 sub-elements (subpillars). Organizations receive a score of 0 to 5 for each metric, with 0 indicating no best practices in place and 5 indicating all best practices in place. Overall scores represent the weighted average of the individual respondents' scores within each category. A combination of factor analysis and regression analysis of the factor scores against overall health and productivity effectiveness is used to develop relative weights for allocating the values across the subpillars, and determine the scores for the Health and Productivity Scorecard.



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Towers Watson is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. With more than 14,000 associates around the world, we offer consulting, technology and solutions in the areas of benefits, talent management, rewards, and risk and capital management.

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