

According to Health magazine, \$1.9 trillion was spent on healthcare for Americans in 2004. // US industry loses \$13 billion and 39.3 million workdays every

What's News

Since the late '90s, healthcare spending has increased at a faster rate than the GDP, inflation, and population, according to a 2003 Health Affairs web exclusive.

CDC Cites that 75% of all healthcare expenses are related to chronic diseases (obesity-related diabetes, blood pressure, asthma, etc.) – all of which are treatable conditions.

New York Times Article Cites “job-based insurance is bleeding away the viability of American businesses.” The article also suggests that even doctors are complaining about the cost of insuring employees (6/11/07).

Johnson & Johnson's Healthy People Program estimates it saves between \$9-\$10 million per year from reduced medical utilization and lower administrative expenses.

According to the American Payroll Association's 2006 “Getting Paid in America” survey, more than half of employees say health benefits are more important than higher wages.

The 2005 Healthcare Expectations Survey from Hewitt and Associates states, “Employee contributions for health care have increased 126% over the last 5 years, compared with 76% for employers. 24% of employers increased employee contributions and 30% increased dependent contribution over the past year.”

OUR ECONOMIC EPIDEMIC

American Business Facing Chronic Healthcare Cost Increases

CEOs beginning to resist short-term cuts in favor of long-term investments in employee health.

The next time you take a sip of your Starbucks Grande Decaf, keep in mind that in that cup there is more expense brewed into the cost of employee healthcare than the coffee itself. And this is not just limited to latte. In fact, every GM car driving down the road has more cost associated with employee healthcare than the metal used to make it. It's a national epidemic that is putting American business at a global disadvantage, and it is showing no sign of letting up.

As healthcare costs continue to rise, prices must also rise to cover this growing expense. And this greatly affects our ability to compete on a global level. Outsourcing and off-shoring has helped some companies, but most cannot ship this problem abroad. Couple that with the fact that 75% of our economy is based on the service sector (government employees and private sector industries of people servicing people), and you quickly realize employee costs are the #1 line item on practically every P&L.

And it's a national crisis. The gap between the growth in healthcare spending (+9.3%) and overall economic growth (+3.6%) means a larger share of resources is being devoted to non-productive, administrative employee ex-

penses. And it's projected to get worse. In 2003, 15.3 % of our GDP was related to healthcare expenses. And according to the CMS, this is projected to grow to 18.4% by 2013. This massive drag on the economy not only hurts our ability to compete abroad, but cheaper imports hurt us domestically as well.

As J. Randall MacDonald SVP of IBM states, “This problem will have to be cured, or the competitiveness of the United States will be dramatically affected.”

Yet without employees, all other corporate assets remain idle. Nothing gets manufactured, sold, serviced, or delivered. And when employees are burdened with additional co-pays and elevated deductibles, their purchasing power is reduced. And considering that two-thirds of our economy is based on what American's purchase, it's an economic double-whammy that, without long-term intervention, will only get worse.

Employees – and the effective management thereof – are arguably the #1 asset to the long-term success of any organization. And just like other business assets, the goal is to lengthen their service to the company, increase productivity, decrease operating cost, and eliminate work stoppages.

When you have healthy employees, you have productive and alert employees who come to work everyday for

OUR ECONOMIC EPIDEMIC

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years on end. That also means less turnover, which reduces recruitment and training costs. When claims are reduced, healthcare coverage can be renegotiated to lower rates. In the manufacturing sector, increased employee persistency also leads to reduced worker's comp ratings and reduced liability coverage. Clearly, healthier workers can dramatically slow the rise in the cost of healthcare.

To date, the solution has been short-term in nature. Most companies try to shift some of the expense to employees in the form of higher premiums, increased co-pays, increased deductibles, reduced benefits, and more. But this only exacerbates the problem because employees are even less inclined to visit the doctor for preventative check-ups. Instead, they only see the doctor when sickness really sets in, which is too late. Couple that with increased absenteeism and reduced on-the-job employee effectiveness due to sickness or injury (a.k.a., "presenteeism"), and a highly unproductive situation exists.

"Our analysis shows that prevention can improve both our direct and

indirect health related costs. Our profit potential is inextricably linked to the capability and the performance of our employees," says Andrew N. Liveris, President & CEO, The Dow Chemical Company.

To bring this economic epidemic to the forefront of American Business, the CDC has created the Alliance for a Sustainable Workforce which is setting the standard for how to develop and

manage corporate wellness programs that deliver long-term, positive results to the bottom line. Research shows that even limited investments deliver positive results. These studies also show that companies which have fully invested in company-wide, trackable programs have enjoyed a \$3.50 decrease in overall employee

healthcare-related expense for every \$1 invested, if not more. This is a direct decrease in cash expense and does not take into account all the indirect pay-back of increased productivity, reduced turnover, and boosted employee morale. When you effectively manage your healthcare expenses, the benefits go beyond improved profitability.

The alternative of rising costs and an unhealthy workforce is not pretty. As Rick Wagoner, CEO of GM says, "If healthcare keeps going up at double digits indefinitely, it's basically going

to result in a devastated U.S. economy." A harsh perspective to consider the next time you wonder about the rising costs of a cup of coffee or hear more news about lagging American automotive sales.

To learn more about how business leaders are leveraging employee health to improve performance and how your company can reap similar returns, go to www.cdc.gov/asw.

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President & CEO
The Dow Chemical Company

Moving Forward

- 1) Take** a hard look at the relationship of your employees' health to your business situation. Ask yourself, "How can healthier employees improve our business?"
- 2) Consider** how the health of your employees may be making you less competitive and what can you do to improve your competitiveness here and abroad.
- 3) Challenge** the conventional solutions of cutting benefits or shifting costs, and explore longer term investments in the sustainability of your workforce
- 4) Consult** with the Alliance for a Sustainable Workforce to learn more about the options available to you at www.cdc.gov/asw.



According to a 2007 survey from Watson Wyatt, health costs continue to rise at roughly twice the rate of inflation, jumping 8% in '06. // Five chron-

What's News

According to the **Journal** of the American Medical Association, General Motors' blood pressure control program has seen a \$3.10-to-\$1 savings in reduced absenteeism by Year 2 and a \$3.90-to-\$1 savings by Year 3.

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From a review of 73 published studies of worksite health promotion programs, companies enjoyed an average of \$3.50-to-\$1 savings to cost ratio in reduced absenteeism and healthcare costs.

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From a meta-review of 42 published studies of worksite health promotion programs are the following findings: average 28% reduction in sick leave absenteeism, average 26% reduction in health costs, average 30% reduction in workers' compensation and disability management claims costs, average \$5.93-to-\$1 savings-to-cost ratio.

WHAT IS THE ALLIANCE?

Business Turns to “Nation’s Health Department” for a Checkup

CDC creates new entity to help guide business through murky healthcare waters.

Benjamin Franklin wore many hats, including entrepreneur and government official, so it stands to reason that his timeless metaphor - “a small leak can sink a great ship” - applies equally to an issue concerning both the public and private sector -- today’s healthcare dilemma. Corporate profits are taking on water at an unprecedented rate as the rising cost of healthcare soaks our ability to compete around the world. Unless companies address this situation with a long-term perspective, rather than relying on short-term cost-shifting strategies, captains of industry are bound to go down with their ships.

For perspective, in 1960 national healthcare expenditures were \$143 per capita or 5.1% of our GDP. By 2003, it was \$5,760 per capita and it sopped up 15.3% of our GDP. And since 1998, healthcare spending has increased at a faster rate than our GDP, inflation, and population.

The frustrating aspect of these rising costs is that they are largely preventable. As Michael J. Critelli, Chairman of Pitney Bowes, concludes, “The spiraling cost of healthcare is a result of an explosive growth in chronic diseases like diabetes, cardiovascular conditions, and asthma. The healthcare debate needs to be focused on the core issue: making Americans healthier.”

That’s why several business leaders began reaching out to the Centers for

Disease Control and Prevention. As “the nation’s health department,” the CDC was in a unique position to best understand the impact chronic diseases were having on their business and ways in which both employee health and employer wealth could be improved.

What they found was that improving employee health can help boost corporate profits and productivity. Why? Because preventing employees from getting sick and injured in the first place, rather than treating them once they become sick and injured, lessens the drag on profits via reduced healthcare claims along with the administrative costs associated with managing them. Plus, productivity goes up due to decreased absenteeism and presenteeism (diminished on-the-job performance due to health-related problems).

While shifting this burden to employees via higher premiums, higher co-pays, and reduced benefits may buoy corporate profits for a year or two, it will not slow the climb of healthcare costs. Shortly, both the company and employee will bear even more burden in the form of decreased real wages and reduced corporate profitability as the price increases of healthcare marches on. It’s an epidemic that without immediate intervention with a keen eye toward the long-term will further erode America’s economic competitiveness.

As more employers have asked the CDC to get involved, the CDC decided to create an alliance based on a common interest – protecting the health and safety of employees and their families

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as well as the health of our nation's economy. By creating the Alliance for a Sustainable Workforce, the CDC is putting their science and knowledge database to work for American business for the long-run. With practical guidance and tangible support services, the Alliance for a Sustainable Workforce will be helping companies in four key areas to improve workforce health and safety programs, policies and benefits:

Assessing the Opportunity: As with any business asset it is critical to understand its condition and set goals for maximizing its output and return on investment. This is especially true for most businesses' #1 asset -- their employees. Once you understand the workforce health situation, customized programs can be developed to help them either stay healthy, or improve their health.

Workforce Productivity Optimization: When absenteeism and presenteeism are reduced, output goes up. And when output goes up while salaries remain constant, productivity goes up with it. The CDC is assembling a database of best health practices that have demonstrated success in improving productivity and maximizing ROI.

Reducing Healthcare Costs: Diabetes, asthma, high blood pressure, cancer, smoking, obesity, and stress are

some examples of the preventable and treatable diseases that cause the vast majority of employee healthcare claims. Reducing the incidence of these diseases, as well as workplace accidents, creates a healthier workforce that has the effect of reducing healthcare claims. And when claims drop, costs drop, and companies can negotiate better health insurance rates, reduce their worker's comp ratings, and reduce the administrative cost associated with employee illnesses.

The Alliance for a Sustainable Workforce will work with employers to help in the following four areas :

- 1. Assessing the Opportunity*
- 2. Improving Workforce Productivity*
- 3. Reducing Healthcare Costs*
- 4. Empowering Employees*

Empowering Employees: The most critical component of a successful employee health program is leadership commitment; and CEOs must drive this program and be visible and consistent participants. This is the first step towards empowering employees as they now understand

how their health relates to their work. And they can now see that employer-subsidized healthcare is part of their total compensation plan, not an entitlement. By involving employees with their own compensation plans, they can take it upon themselves to increase their own take-home pay by reducing the costs associated with them specifically, and the company as a whole.

Over the next few months, the Alliance will continue to provide reasoned guidance and strong science for businesses and employers who are looking for long-term solutions to this current crisis. As Elizabeth Majestic, Director for the Alliance, states, "CEOs are realizing that employee health is

a critical business problem and that they need a sustainable workforce to compete globally. We hope to be part of the solution."

To learn more about how business leaders are leveraging employee health to improve performance and how your company can reap similar returns, go to www.cdc.gov/asw.

Moving Forward

- 1) Get** a baseline of the overall health of your employee asset and set goals based on improving their health AND your bottom line. The CDC has compiled important metrics and health risk assessment tools that will get your company started.
- 2) Explore** strategies for leveraging health as a way to improve worker productivity.
- 3) Talk** with your healthcare vendors to determine how a healthier and sustainable workforce can result in cost savings for your organization AND your suppliers.
- 4) Make** the healthy choices the easy choices by finding ways to integrate health and wellness into your corporate culture via visible leadership commitment, easy access, and continuous communications.
- 5) Visit www.cdc.gov/asw** to learn more about how your company can create a customized and effective program to get control of your healthcare expenses.



133 million people live with at least one chronic disease greatly increasing their risks of sickness, disability, and early death.

What's News

Motorola determined that its employees would need to reduce their life-style-related health risks by just 1.08 percent to 1.42 percent per year for health promotion programming to break even (2004 study in the American Journal of Health Promotion).

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According to a National Governors Association Centers for Best Practices brief in 2005, states are offering employees cash incentives to participate in health assessments. In Arkansas, employees receive a \$20 monthly reduction in insurance premiums if they participate in a voluntary health risk assessment. While employees of the State of South Dakota receive a \$100 wellness incentive if they attain a personal health goal and \$50 for participating in a health assessment.

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Pitney Bowes uses predictive modeling software to assess the potential effects of benefit design on utilization and treatment adherence rates. Analysis led the company to lower coinsurance for brand-name asthma and diabetes drugs to 10% (as opposed to 30% or 50% for other brand-name drugs). In the following two years, a decrease in hospital admissions, office visits, and pharmacy costs led overall health costs to drop 12% and 15%, respectively (Wall Street Journal, 5/10/04).

ASSESSING THE OPPORTUNITY

Does the Health of your Workforce Measure Up?

Benchmarking Employee Health is the Key to Tracking Success and Reducing Healthcare Cost.

Total Quality Management (TQM) is one of many strategic measurement tools used by Fortune 500 companies today to increase profitability, product quality, and productivity. Benchmarking then measuring the success within every facet of a company's organization is reiterated at every annual meeting and mandated throughout every corporate office. Why? Because without a fanatical commitment to improving productivity and decreasing cost, companies are subject to lose ground to the competition.

Other popular systems getting attention these days include Six Sigma, Kaizen, Balance Scorecard, Deming's 14 points, and many others. Each system varies on how to apply their methodologies, but the fundamental goal is the same -- increase productivity and reduce cost. Focusing on employee healthcare should be no different.

Employees are a company's #1 asset because without them, nothing gets manufactured, sold, or serviced. They are also the #1 line item on most corporate P&Ls; especially here in the U.S. where 75% of our economy is based on the service sector. Yet, most TQM systems seem to rather focus on squeezing out a 1% improvement in other areas while the rising cost of healthcare, and the correlating reduction in productivity, goes largely unchecked.

But there is reason for optimism as some organizations are beginning to seize upon a new opportunity. As Dr. Robert Galom, Global Health Care and Policy Director, GE says "Employers are more interested in reform today than at any time."

When companies make it a strategic imperative to better manage workforce health, the returns go to the bottom line. And businesses are starting to see the light. Many are seeing a stemming of the increase in their healthcare expenses coupled with significant increase in employee productivity. And whereas other objectives are often difficult to measure (i.e., effectiveness of advertising) or the meager (improve manufacturing productivity by 1%), most returns on workforce health initiatives are much more dramatic and quick to notice and account for.

To centralize and coordinate effective methods of curing America's healthcare epidemic, business leaders from across a broad range of industries have called on the Centers for Disease Control and Prevention to help. In cooperation with business leaders and the CDC, the Alliance for a Sustainable Workforce has put into place a database of scientific excellence, best practices, and success stories that companies can leverage to help them take control of their ever-rising healthcare dilemma.

And as with any business initiative, key to success is setting benchmarks and subsequent measurements. Without knowing where you're starting from, it's impossible to know whether your

ASSESSING THE OPPORTUNITY

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efforts are having the desired effect. Applying this approach to manufacturing and manpower alike puts companies in a better position to compete in today's global economy.

The Alliance for a Sustainable Workforce has put together an ongoing series of recommendations to improving workplace health. This issue will explore the first phase of a successful health promotion plan – Assessing the Opportunity.

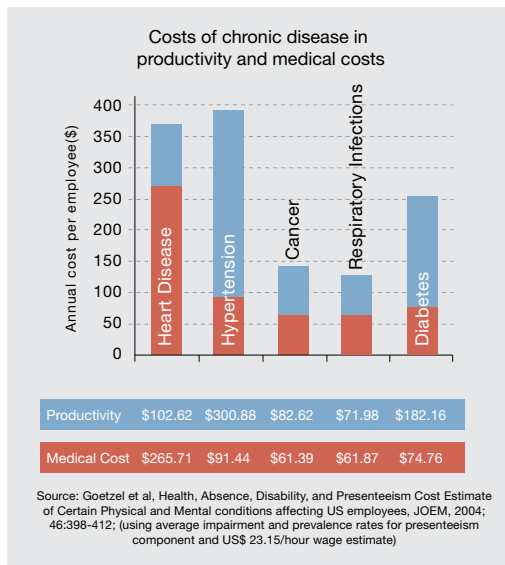
Understand the key health problems and cost drivers afflicting your company. Once your starting point is fully understood, you can then create customized,

results-driven plans to guide actions, reduce costs, and improve worker productivity. Set the objectives then execute the necessary programs to achieve the stated objectives. Here's how to start your own workforce health program.

Determine your Benchmark Workplace Health Index. What are the current policies, programs, environmental supports, and current healthcare costs? What are the current health risk behaviors, satisfaction levels, physical job requirements, and overall health profile of your employees? Establishing a fair and reality-based benchmark is critical to determining what success should look like.

Set specific goals in terms of numbers and percentages. Make Year 1 goals reasonable (stop the rise of

claims and costs) while Year 3 becomes your reach goal (reduce overall healthcare costs by 5%). Apply these goals to productivity as well. Year 1 goal is to stabilize the decrease in productivity while Year 3 is to increase productivity by 15%. From there, what are your financial and non-financial targets for health outcomes, absenteeism, presenteeism, economic costs, and morale to make this a reality? Set firm and measurable goals, and then create the plans to achieve them.



action, identify human and financial resources needed to implement plan; then execute, monitor, and evaluate.

Communicate Performance against Expected Results. Leadership must keep employees apprised of the situation and post results for all to see. Then, leverage these success stories to keep the momentum going. When employees see their efforts directly increasing their take-home pay, the effort really starts to take off. And when absenteeism and presenteeism go down, output, quality, and profitability go up. But unless these success stories are communicated throughout the organization, it's hard to stay on the road to healthcare recovery.

When you have a strong handle on

the current employee situation, you are in a better position to chart your course to decreased cost and increased productivity. To learn more about how business leaders are drawing on the Alliance to learn how to leverage employee health to improve performance, go to www.cdc.gov/asw.

Moving Forward

1) Get a baseline of the overall health of your employee asset and set goals based on improving their health AND your bottom line. The CDC has compiled important metrics and health risk assessment tools that will get your company started.

2) Offer company-wide incentives to induce broad participation at the beginning. Unless a significant portion of your employee base is measured to create a fair starting-point, you'll be unable to accurately measure future success.

3) Partner with your employees. They want to be part of the solution, not the problem. Empower them to help the company while they help themselves. Get them involved in the creation of the program and peer-to-peer support.

4) Go to www.cdc.gov/asw to learn more about the different kinds of assessment tools you can leverage to define success at your own company.

5) Walk the Talk. As a leader, be the first in line to participate in a health risk assessment. By showing that you're all in this together, it will engender a sense of solidarity in your efforts and lay the groundwork for improved teamwork moving forward.

In 2006, it is projected that heart disease and stroke will cost \$403 billion in direct cost and lost productivity. // In 2000, the cost of obesity was esti-

What's News

The **service sector** employs three-quarters of all workers in developed nations, and the sedentary nature of much of that work increases the risk of chronic disease (World Health Organization).

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Chronic diseases are disabling: chronic conditions cause major limitations in activity for 1 of every 10 Americans. Three chronic diseases – arthritis, heart disease, and diabetes – are leading causes of activity limitations among working-age adults.

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Productivity losses related to personal and family health problems cost U.S. employers \$1,685 per employee, or \$225.8 billion annually (Journal of Occupational and Environmental Medicine, 2003).

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American Standard Companies was able to reduce employee absences by 13% in just one year through their customized wellness program.

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Virgin Life Care – a South African Company – and a US insurer have developed HealthMiles, where gift cards are given to employees to exercise regularly. Results from USB-enabled pedometers and the results of every exercise session are fed into a personalized web page so participants can privately compare their performance to others of the same age and gender. Within six months in 2006, 30% of the participating employees had significantly improved their fitness. In addition, 16% of those with hypertension had normalized their blood pressure.

IMPROVING PRODUCTIVITY

Healthier Workers Get More Work Done

Companies Starting to Leverage Health to Improve Output

The world is flat, as explained in Thomas Friedman's seminal book on how the Internet leveled the playing field, and "off-shoring" or "outsourcing" has now become a corporate way of life. Yet, America is still able to (1) improve its global competitiveness, (2) increase output, and (3) create new jobs – all while keeping inflation at bay. So how can America's economy continue to flourish while manufacturing continues to downsize?

Productivity. Increasing productivity is about accelerating output while maintaining or reducing expenses. America has been able to stay competitive via advances in automation and improved processes, which has allowed us to increase our GDP at a faster pace than the rate of inflation. And since our operating costs dwarf our low-cost, international rivals, further improvements in productivity are critical for us to stay competitive on the global stage.

The largest line-item on most P&Ls is associated with employee expenses, which is why it gets deep scrutiny. Employees are also a company's number one asset because without them nothing gets built, sold, or serviced. They are also the wildcard to increasing corporate productivity. Even the most highly efficient, automated equipment can suffer productivity losses when unproductive employees are at the helm.

One of the easiest ways to maximize employee productivity is to reduce

unplanned absenteeism due to sickness or injury. When employees call-in sick or are forced to stay home for extended periods, corporate productivity goes down because there are less people to get the job done right. Considering 75% of our economy resides in the service sector, we need our employees to come to work, and ready to work, every day.

Another way to maximize employee productivity is to decrease presenteeism (diminished on-the-job performance due to health-related problems). When semi-ill or semi-disabled employees come to work, but are not up to the rigor of doing a good job, productivity falls yet again. Poor eating habits lead to sugar highs, followed by "sugar coma." Smokers take more breaks than non-smokers. Overweight employees are just not able to work as quickly as their more-fit counterparts. Even the smallest on-the-job injury can stop production lines for hours.

Most companies only focus on the cost of healthcare and how to avoid it, not the productivity side of the equation. Cost-shifting is a short-term solution that temporarily slows the crunch on corporate profits but it does not make the problem go away. The long-term solution to a more productive workforce is employing a healthier workforce.

To counter America's unproductive malaise due to chronic illnesses, business has reached out to the Centers for Disease Control and Prevention to help. The CDC has created the Alliance

IMPROVING PRODUCTIVITY

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for a Sustainable Workforce to focus specifically on this issue. The Alliance is committed to putting its science to work for American businesses to help them increase worker productivity while decreasing costs associated with healthcare.

The Alliance has put together a series of recommendations to improving workplace health. This issue focuses on improving productivity by reducing absenteeism and presenteeism. Here are five strategies to employ to make this happen.

Focus on reducing two or more diseases/risk factors that are prevalent in your workforce.

For example, analysis may show your workforce's primary issues are weight control and stress. To combat these unproductive health issues, focus on such priority topics as: physical activity, healthful eating/weight management, stress management, and improving access to health benefits.

Provide preventative screenings and follow-up services. Make it easy for your employees to stay or get healthy. The health of your employees should be a proactive effort, not a reactive one. By catching problems early you can save in the long-term. In some cases this may result in saving time and productivity, and in others it may mean saving lives.

Create a Safe and Healthy Work Environment. Improve food and beverage options available to em-

ployees and restrict access to foods of minimal nutritional value. Provide adequate time for employees to eat and if possible participate in physical activity during the work day. Employ stretching or ergonomic programs that replicate the range of motions your employees engage in during the day. This has shown to greatly reduce workplace work accidents and work stoppages.

Improve Employee and Dependent Health Knowledge. The more they are aware of the situation, the more they can become part of the solution.

Depending on the cross-section of your specific workforce reality, clearly explain the benefits of physical activity, healthful eating/weight management, tobacco cessation, stress management, screenings, and access to health benefits.

Establish Workplace Health and Safety Infrastructure.

Creating a culture of health and safety takes time, but it does take root. By putting in place the proper policies and systems you ensure that your program will keep its momentum over time. One tactic is to set up an employee wellness council to help empower them to be an active part of the solution.

Though many of these recommendations are common-sense and easy to deploy, few companies do this to any level of commitment. But those that have are surprised by how quickly and powerfully the returns have gone to the bottom line.

Increasing productivity is a key strategy to staying competitive in our global economy. To learn more about how business leaders are leveraging employee health to improve perfor-

mance and how your company can reap similar returns, go to www.cdc.gov/asw.

Moving Forward

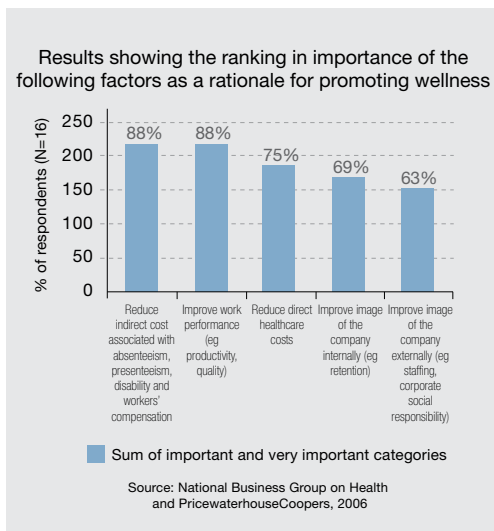
1) Make healthy choices the easy choices. Providing healthier foods and snacks in all vending machines and cafeterias can help improve your worker's metabolism and avoid those peaks and valleys in energy that can hamper worker productivity throughout the day.

2) Find ways to facilitate physical activity. It is increasingly difficult for workers to find time to get their necessary 45 minutes of activity each day. By simply providing opportunities through an extended lunch period or afternoon break for your employees to go on walks or use onsite fitness facilities, you will reap benefits of employees who are more energized and focused when they return to work.

3) Educate employees on the benefits of improved nutrition and increased physical activity so they can take this information home and share it with their entire family. By including family, you increase the likelihood that these healthy habits take root. It also helps from a cost perspective as healthier spouses can result in lower costs, since probably 50% of your insurance costs come from dependents.

4) Go to www.cdc.gov/asw to learn more about the different kinds of programs and tactics that have shown to demonstrate improvements in worker productivity.

5) Lead by example. Management should be among your healthiest employees. Not only will this set the right tone throughout the company but you'll also make sure you're getting the most out of some of your most valuable employees.



The nation's healthcare costs in 1980 totaled \$245 billion – an average of \$1,066 for each American (Health Tracking, Jan/Feb. 2006). In 2003, an as-

What's News

Fitness center participants stay in hospitals an average of 2.1 days less than non-participants, according to the American Journal of Health Promotion, 1993.

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The Freddie Mac clinic in Cleveland (called 'The Freddie') costs \$565,000 a year to run. An average visit to a personal physician, outside the clinic, costs \$117. The Freddie, which averages 17 visits/day, estimates it saved \$686,000 in direct costs last year. With added improvements in productivity, Freddie Mac puts the savings at \$900,000.

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Duncan Aviation was able to reduce the rate of increase in healthcare expenses from 17% annually to under 3% in five years, according to company sources.

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The State of North Carolina's pilot program called HealthStart saved \$22.5 million and is now being rolled out throughout the state (according to the National Governors Association: Centers for Best Practices Issue Brief from May, 2005).

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Foot Health Systems saw a six-fold reduction in the rise of annual healthcare costs for those employees who were able to moderate or reduce their health risks versus those who were not.

CONTROLLING HEALTHCARE COSTS

Healthy Employees Cost Less

CEOs seeing success by tackling this issue straight on.

Just because the ostrich has its head in the sand doesn't make the problems go away. And this technique doesn't work with the current healthcare dilemma either. Today, the approach taken by many businesses has been to avoid it by cost-shifting these expenses to employees in the form of increased premiums and co-pays, as well as reduced benefits; and then hope next year's rate of increase isn't so painful.

Unfortunately, companies now realize this problem is not going away on its own. The short-term solution of shifting expenses may slow the crunch on the bottom line while forcing your workforce to bear even more of the burden. But soon, both the employee and the business will find themselves sick or unhealthy.

The ever-rising cost of healthcare is putting American businesses at a distinct disadvantage in the global marketplace. With healthcare costs outpacing inflation by two-to-one, even faster according to other studies, it cripples our ability to compete. It must be resolved now. As Rick Wagoner, CEO – GM states, "Long term, this is a problem for economic growth in the country."

To combat this disease to America's profitability, business leaders have called out to the Centers for Disease Control and Prevention to help find the cure. The CDC and the nation's employers have common concerns and interests in protecting the health and safety of employees and their families. The Alliance for a Sustainable Work-

force is an initiative of the CDC, CDC Foundation and Corporate America to link American Business with CDC scientists to develop practical guidelines for companies to inform the development of workforce health and safety programs.

Most companies address the rising cost of healthcare by slicing benefits or cutting corners. Yet, most companies freely provide flu shots. Why? Benevolence aside, the reality is they do not want their entire workforce to get sick and temporarily shut down the company. So there is a pre-existing appreciation of why employee health matters. When you view the problem as one related to poor health, rather than the expense associated with it, you find ways to cure the problem – not just treat the symptoms.

According to the Alliance, the solution is to employ healthy workers. Though easier said than done, the truth is that healthier employees have fewer health risks, submit fewer claims and are not absent or hospitalized as often, and that decreases costs. Plus, healthier employees come to work more often and are more alert while on-the-job, and that increases productivity. Healthier employees also increase morale and commitment.

The Alliance pulls together the best CDC science with business know-how to provide timely and relevant information to your business to keep your workforce healthy, increase productivity, control healthcare costs, and effectively engage your organization at all levels.

The previous issue of *The Jour-*

CONTROLLING HEALTHCARE COSTS

CEOs seeing success by tackling this issue straight on.

nal of Business & Health focused on Improving Worker Productivity. This issue focuses on reducing the strain of healthcare on the bottom line. Here, the primary objective is to reduce claims and other expenses associated with chronic and preventable diseases such as diabetes, high blood pressure, cancer, stress, asthma, and more.

Change how you think about the problem from cost avoidance to profit and productivity creation.

Exploding expenses is the symptom to a larger issue. The cure is not to treat the symptom, but to treat the illness. When you employ a healthier workforce, you can reduce claims, which decrease cost.

Focus on prevention. Treating people before they get sick or injured is much cheaper than paying extensive claims and long-term disability. Do what you can to avoid the bigger problems rather than hoping they don't occur. Much like flu shots are a good investment so too are other preventative measures that help reduce blood pressure and screenings that can detect dangerous diseases such as breast or colon cancer which will not only save your insurance rating, but more importantly can save lives.

Work with your insurance supplier. Like you, they would prefer to have fewer claims and sick people on their rolls. They also would like to

keep your business, but cannot take on all the risk of an unhealthy workforce. Work with them to help set benchmarks and leverage the improving health of your workforce to negotiate lower premiums. They will help show you where their issues lie. Then, together you can develop a plan to address them and reduce your costs. The same approach also applies to your workers compensation ratings and premiums. If you can demonstrate fewer accidents and a more sustainable workforce then you will be

able to negotiate a lower rating. And if they don't want to work with you, go shopping because there are plenty of insurance companies willing to do so.

Create accountability among employees. When an employee gets paid, the expectation is that they've earned it through hard work. Similarly, it is important that employees real-

ize benefits work the same way. When an employer offers healthcare benefits, there should be an expectation that not only will employees utilize these preventative benefits but that they will work hard to be healthy. Help employees understand the social contract they have to stay healthy, thereby helping the company stay healthy.

American businesses have the unique opportunity to work directly with the CDC and learn how to design and put in place a comprehensive workplace health and safety program. The knowledge and insights gained will be relevant not only to your employees and your company but also the larger busi-

ness community. To learn more about becoming a member of the Alliance and how to leverage employee health to improve performance visit www.cdc.gov/asw.

Moving Forward

1) Change your perception of the problem. Costs are not the issue, employee health is the issue.

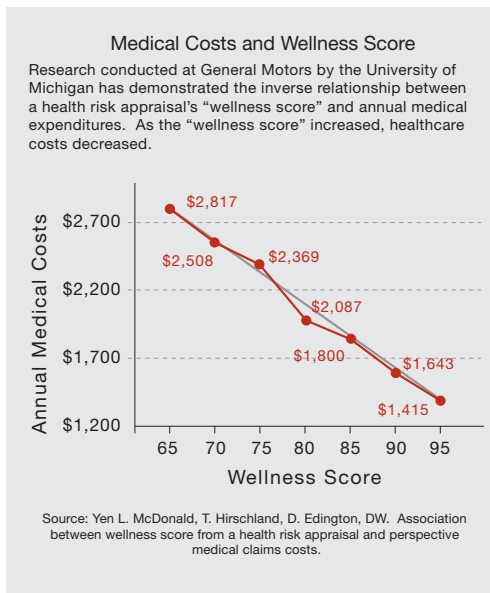
2) Focus on prevention. When you catch illnesses at an early stage, or reduce the chances of illness occurring at all, you greatly reduce your exposure to expensive claims and exorbitant costs.

3) Leverage the health of your employees. Talk to your insurance provider as well as other suppliers. By leveraging your improving corporate health, you now have the power to reduce the increases you've been seeing.

4) Focus on the biggest problems first. What are your most prevalent health risks that are contributing to poor employee health and rising costs and target them before you try to cure everyone of everything.

5) Create employee accountability. In order to be part of the solution they must be brought into the equation earlier.

6) Go to www.cdc.gov/asw to learn more about the different kinds of programs you can leverage to create success at your own company.



Fewer than half of the respondents of a recent study offer educational programs on exercise (47%), smoking cessation (41%), weight management (34%), stress

What's News

HRA Programs, combined with health screenings, often provide personalized “wellness scores” and health reports that recommend action steps for risk reduction; or are accompanied by health education material or in-person or telephonic counseling to reinforce healthful behavior change (JOEM, 2003 & Work-site Health, 2001).

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General Motors Corporations’ LifeSteps program states that employees with three or more health risk factors received vouchers that paid for the cost of two doctor visits; usually not covered under the existing benefit plan, according to a 2005 study from the Partners for Prevention, Leading by Example.

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Worthington Industries pays a health benefits premium credit (up to \$600) per year to employees participating in its Health Choices Wellness Program (Partners for Prevention, 2005).

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Johnson & Johnson’s Healthy People Program estimates it saves between \$9-\$10 million per year from reduced medial utilization and lower administrative expenses.

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“In one year, the CommonHealth program helped state workers lose 8 tons of weight and 14,000 received flu shots. Over 350 also quit smoking or using tobacco products.” Gov. Mark R. Warner, Commonwealth of Virginia (Partners for Prevention, 2005)

COMMUNICATING THE CASE FOR WELLNESS

Creating a Culture of Health is Healthy for Business

Companies Communicating the Need for Workplace Health.

Cultural shifts are hard. But they can be done. Recycling, smoking, seat belts, smoke detectors, and drunk driving are just some examples of how our culture has shifted to better address the needs of our environment and our own health and safety. But it took time, it took persistence, it took encouragement. But by and large, it took.

Communications, firm policies, and commitment to the cause enabled these shifts to occur. When the benefits of positive change are clearly made, supported by persistent and pervasive communication across a variety of touch points, change happens. And now we face a new issue that is both hurting individuals and our economic sustainability. Our current healthcare system is infecting corporate profits and inhibiting Americans from staying, or getting, healthy. It’s time for another shift.

Corporate communications is an art form in the United States. Marketers inundate us with consumer marketing to build demand and loyalty. Corporations issue press releases, quarterly earnings reports, corporate blogs, trade shows, speeches, sponsorships, you name it. We’ve even taught employees advanced technology (computers) and how to invest (401Ks, 529s, and IRAs).

But when it comes to healthcare, it’s a once-a-year, open-enrollment circus. HMOs, PPOs, POPs, managed care, co-payments, formularies, you

name it. And every year it’s always more bad news. More premiums get shifted to employees, co-payments go up, and benefits go down. Invariably, employees select the least-expensive option – the one with the lowest premiums but the highest co-pays. The net-effect is that employees are not encouraged to see the doctor to diagnose and treat illnesses early before they become expensive claims and extended absences from work. And the cycle continues.

For businesses to take control of the situation, they need to tackle it straight on. And since employees are a company’s #1 asset and largest line-item, leadership’s penchant for not addressing it year-round is dereliction of duty.

To help companies create a corporate culture for health, business leaders have called on the Centers for Disease Control and Prevention to help. The CDC and the nation’s employers have common concerns and interests in protecting the health and safety of employees and their families. The Alliance for a Sustainable Workforce is an initiative of the CDC, CDC Foundation and Corporate America to link American Business with CDC scientists to develop practical guidelines for companies to inform the development of workforce health and safety programs.

The Alliance pulls together the best CDC science and business know-how to provide timely and relevant information to keep your workforce healthy, increase productivity, control healthcare costs, and effectively engage organizations at all levels. And in this

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issue, we focus on communications and empowering employees to help reduce the strain on profitability and productivity, increase their ability to elevate their own take-home pay, while getting healthier in the process.

According to the CDC, the first key is getting complete and full buy-in by the CEO. Unless leadership fully embraces, and visibly participates in improving his/her health, the workforce will not. From there, changing corporate culture is about changing the environment, the policies, the traditions, and, eventually, the people. Communicate workforce wellness through as many corporate touch-points as possible in order to enjoy the full effects.

Active Management Commitment is Critical. Organizations cannot create a culture of health and safety without true commitment from leadership. They must be visible leaders for change and keep the program going throughout the organization.

Raise Employee Awareness of the Association between Employee Health, Profitability, and Productivity. When employees fully understand they can personally influence their own take-home pay and help their company better compete, they soon realize they increase their chances for long-term

employment. This encourages them to become even more active participants.

Continuous Communications. Changing from a culture of poor-health to good is not easy. It takes persistence and communications. Use your work-site as your primary medium for getting the message delivered. Your employees are a captive audience so make sure employees hear the message on a year-round basis.

Access. Installing a gym or improving the cafeteria menu doesn't accomplish anything if no one knows it's

there or why they should participate. To get the full benefit of investing in a healthier workforce, you need to empower them to take advantage of the program through easy access and continuous communications.

Incent Wide Participation. To get the biggest bang for the buck, wide participation is required. Many companies are reducing premium

payments for those who participate and stay active in the program while others are finding innovative, non-cash incentives to incent wider participation. And in each and every case, the incentives more than pay out in the form of reduced claims, increased productivity, and improved morale.

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ness community. To learn more about becoming a member of the Alliance and how to leverage employee health to improve performance visit www.cdc.gov/asw.

Moving Forward

1) Get full and visible CEO buy-in. Without it, the program has no teeth and its chances for success are greatly reduced.

2) Communications. Put posters in break rooms, bathrooms, hallways, and the cafeteria. Insert flyers into paycheck envelopes. Create an intranet site so employees stay current. Create team competitions for miles walked, pounds lost, cholesterol dropped, BP reduced, and more. Give seminars from leadership and fellow employees who represent peer proof of program effectiveness. Provide program updates on cost decreases, productivity increases, employee health success stories, and more. Make it fun. The more communications you can get out there, the higher the chances for program adoption.

3) Empower employees to take it upon themselves to help fix the problem. Peer to peer communications is a proven influence in getting more employees engaged.

4) Provide cash and non-cash incentive. From reduced premiums to co-funded health club memberships to days off as a reward, there are many ways to increase preliminary screenings, increase program participation, and improve results.

5) Support. You not only want the problem employees to get healthier, you also want the healthy employees to stay that way. Give them the support they need to help themselves and the company.

“Healthy People is all about our employees – our greatest asset. Their actions can improve their own health and serve as an example to their colleagues. Their efforts will result in the success of this program and its ability to achieve long-term health improvements and to create a motivated and productive workforce.”

William C. Weldon
Chairman and CEO
Johnson & Johnson