

5 Steps Companies Should Take Before Launching a Wellness Program

RISK
MANAGEMENT

RISK | MONITOR
MANAGEMENT

Article By

[Risk Management Magazine](#)

[Risk and Insurance Management Society, Inc. \(RIMS\)](#)

- [Insurance Reinsurance & Surety](#)
- [Health Law & Managed Care](#)
- [Labor & Employment](#)

- [All States](#)
- [All Federal](#)

Wednesday, October 19, 2011

Healthier employees lead to lower premiums. If companies can help their workers improve their health without cutting benefits or shifting more premium costs to employees, where is the downside? After all, Fortune 1,000 companies have been using wellness programs for years to combat the rising costs of healthcare.

So the question is, why aren't smaller companies using this proven method to lower their health care costs?

Randy Boss, a risk architect for [Ottawa Kent Insurance](#) in Jenison, MI, helps companies implement successful wellness programs. And he says he can understand how employers feel. "They're frustrated because most likely they have tried things that didn't work," says Boss. "There seems to be a wellness vendor on every street corner these days and many use ROIs from Fortune 1,000 wellness programs as their own, yet they had nothing to do with that program."

All wellness programs are not equal. "This is a very important problem and something companies need to understand when selecting the appropriate wellness program for their company," said Boss.

Yet, the benefits of having healthy workers transcend reduced health care costs, including workers compensation and lower absenteeism. Healthy workers are less prone to injury and when injured, they recover quicker than less healthy workers. Conversely, out-of-shape workers are at a higher risk for injury and healing is often delayed and complicated by other health factors. If workers change and modify their lifestyle and reduce their health risks, medical costs decline.

While this may seem intuitive, the connection between wellness and workers compensation has been slow to take root. The reasons appear to be separate risk management departments overseeing workers comp and group health, concerns about expanding the employers' liability for work-related injuries, a focus on workplace safety rather than workers' health, and a number of small companies with high workers comp costs that do not offer health insurance have all been contributing factors. Still, one of the major areas of concern for employers is an out-of-shape employee.

According to a [Duke University study](#), the cost of obesity among full-time employees is estimated to be \$73.1 billion a year. This is the first study to quantify the total value of lost job productivity as a result of health problems, which is more costly than medical expenditures.

The report recommends that employers promote healthy foods in the workplace, encourage a culture of wellness from the CEO on down, and provide economic and other incentives to employees who show signs of improvement. And there is evidence that this plan can work for employers.

A [University of Michigan study](#) of a Midwest utility company's workplace wellness program found that over nine years, the utility company spent \$7.3 million for the program and reaped \$12.1 million in savings. Medical and pharmacy costs, time off and workers compensation factored into the savings. The study, which took into account a number of costs, including indirect costs of implementing wellness programs, such as recruitment and the cost of changing menus, showed that wellness programs work long-term even though employees aged during the course of the study.

Overall, the program cost the employer \$100 per employee. The cost of lost work time, workers compensation, and pharmacy and medical expenses among employees who participated each year increased by \$96, compared with a \$355 increase among employees who did not participate.

This is good news for employers. Amid heightened cost pressures and leaner staffs brought about by the prolonged economic downturn, employers need to reduce all types of absences to help maintain productivity. While employers tend to focus their energies on controlling the highly visible health care costs, which are more easily shifted, there are significant opportunities to control other costs with wellness programs.

On average, employers can see a 30% reduction in Workers' Compensation and disability claim costs, according to a review of 42 published studies involving the economic returns of wellness programs. Moreover, wellness programs will reduce the costs of absences that, according to the 2010 Kronos/Mercer Survey on the [Total Financial Impact of Employee Absences](#), add up to 8.7% of payroll costs, more than half the cost of health care.

It stands to reason that healthier employees will use less sick time. But ultimately, companies need to make a

commitment to helping their employees stay in better shape. “Employers should focus on health and wellness at work,” says Randy Boss. “Businesses should allocate 2%-3% of their budget to an effective program that includes at least 90% participation by employees and a wellness coach on site to effect behavior change.”

Although budget and company size will dictate the type of program a company can undertake, there are five steps that companies should take before launching a wellness program:

1. **Evaluate.** Know your cost drivers. Analyze Workers’ Compensation, health care and absenteeism data to identify common issues and trends. Understand the legal regulations governing wellness programs.
2. **Do a workplace assessment.** Examine the physical and cultural framework in which the wellness program will operate. Consider opportunities for on-site physical activity, partnerships with community wellness providers, local gyms or health and nutrition classes, on-site vending machines and cafeteria, etc. Identify the interests and motivation of employees as well as barriers to employee participation through surveys, wellness committees, along with an analysis of past efforts.
3. **Educate.** For several years, businesses have been shifting more of the costs of health insurance to workers through increased premiums and higher deductibles. Since 2005 workers’ contributions to premiums have gone up 47%, while wages have increased 18%. Employees are feeling the pinch. Show them how participating in a wellness program can affect premiums as a result of making less use of medical care.
4. **Obtain management support.** A wellness program will not succeed without the ongoing support of management. Communicate the goals of the program and assess the commitment of supervisors and management.
5. **Identify goals and metrics for measuring success.** When implementing a wellness initiative, senior management will want to see a return on investment. Establishing a consensus on the goals or metrics for measuring the success of the program will help shape the program and ensure its success.

When it comes to implementing a wellness plan at your place of business, it’s really all about risk versus reward. And the rewards can be huge, but only if the plan is properly implemented and the management team is committed to its success.

Article authored by **Preston Diamond**.

Risk Management Magazine and Risk Management Monitor. Copyright 2019 Risk and Insurance Management Society, Inc. All rights reserved.

Source URL: <https://www.natlawreview.com/article/5-steps-companies-should-take-launching-wellness-program>