Wellness Program Return on Investment: How To Prove Your Program's Value To Senior Management

Wellness Programs Can Reduce Health Risks And Costs

Although obtaining funding and measuring a return on investment (ROI) are the biggest obstacles faced by wellness professionals who manage workplace wellness programs, experts say there are proven methods that can benefit employers and program participants without draining a workplace budget.

Thorough design, implementation and evaluation can guarantee the success of health management programs, according to the panel of "Wellness That Works! Strategies To Improve Your Wellness Program's ROI," a 90-minute audio conference sponsored by **Wellness Program Management Advisor** and **www.WellnessJunction.com**.

Structure

Program components, including intervention, location, delivery, content and management compose the "structural audit" trail for a successful health and productivity management program, according to Dr. Ron Z. Goetzel, vice president of consulting and applied research for the MEDSTAT Group.

And Ken Holtyn, of Holtyn & Associates Health Promotion Consultants, said wellness programs that are properly implemented can achieve a reduction of up to 60 percent in health risks and major reductions in the cost of disease care for employees.

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Goetzel and Holtyn were the featured members of the audio conference panel.

A "Catch-22" Situation

Holtyn said large and medium-sized companies have funds to support health promotion initiatives and the ability to fund these programs for the three to five years that are necessary to achieve an economic benefit.

Most small companies, however, don't have such programs because they lack the funds to provide and/or sustain them and are also paying higher health insurance costs, he added.

As a result, these companies are in a "catch-22 situation," Holtyn explained; without health promotion programs, their health insurance costs continually rise, while the increasing cost of health insurance makes it difficult for them to finance and invest in wellness programs.

Standards of Practice

Holtyn said because many wellness programs are not comprehensive in design and lack standards of practice and evaluation, they are limited in their ability to demonstrate their effectiveness and impact on employee health and well-being.

Goetzel also emphasized the necessity of design and evaluation for all health management programs.

"Key questions most employers ask in doing evaluations are 'What am I trying to prove? For whom? What do we expect in terms of outcome? How will we use the data? [And] will the data and results be used in a productive fashion to move people to action?,'" Goetzel explained.

"[Another question asks whether] the effort involved in doing the evaluation will lead to any kind of programmatic change," he added.

Both panelists said asking wellness program participants about their attitudes, awareness and health habits provides valuable data for "before and after" comparisons that help measure program outcome.

Cost-Effectiveness

This data, combined with health screening and the measurement of risk factors, provides a direct link to a program's cost-effectiveness, Holtyn noted.

"If I'm at a worksite and I have reduced the risk factors [associated with] high blood pressure, high cholesterol, smoking, excessive alcohol consumption and sickness, then the logical conclusion … is that I am [responsible for] a cost-effective benefit," Holtyn continued.

The panelists said wellness programs must demonstrate their effectiveness before any kind of positive outcome can be recorded.

Worksite Environment

Health promotion programs at small, medium and large businesses have not always focused on a comprehensive program design that worked with individuals at the worksite and within the corporate environment, the panelists added.

"Working within those two [environments], you can have some pretty robust results in terms of risk reduction," Holtyn noted.

A study of worksite environments includes an examination of onsite vending machines, cafeteria menus, smoking policies and other policy issues within a given company's organization, the panelists explained.

Environmental and policy issues are important elements of successful wellness program enrollment and implementation; demonstrating return on investment is not possible if these factors are not part of the equation, according to the panel.

Health and Productivity

Goetzel said many employers are interested in the cost-benefit ratios that fall within the risk categories.

"Employers want to know how much money they will have to spend in order to achieve cost savings," said Goetzel. "Programs vary in comprehensiveness, intensity and duration. Well-conducted, randomized trial studies suggest that providing opportunities for individualized risk reduction counseling … may be the critical component of effective programs."

The panelists agreed that the primary aim of wellness programs is to improve employee health and productivity, but stressed that those who fund these programs also require a "business case" justification for their continuation and enhancement.

Goetzel said multiple-component programs that involve disease and health management programs can yield impressive ROIs.

Program Impact

"A wide range of ROIs is probably due to variations in program design and evaluation," Goetzel said, adding that such programs have a significant impact on improving organizational health, disability and safety.

"The current thinking is that you're probably going to find more savings in those categories than you are in direct medical costs," Goetzel noted.

Successful Wellness Programs Need Theory and Design

Health promotion programs can be cost-effective while reducing health risks — but only if they are well designed, well implemented and employ thorough evaluation techniques.

Without these components, many workplace wellness programs have "gone awry," according to the panel of "Wellness That Works! Strategies To Improve Your Wellness Program's ROI," a recent audio conference sponsored by **Wellness Program Management Advisor** and **www.WellnessJunction.com**.

Dr. Ron Z. Goetzel, vice president of consulting and applied research for the MEDSTAT Group, and Ken Holtyn, of Holtyn & Associates Health Promotion Consultants, said poor theory, insufficient implementation and poor or non-existent evaluation procedures will virtually guarantee the failure of a health management program.

Goetzel and Holtyn were members of the audio-conference panel.

Demonstrating ROI often depends on enrolling a certain percentage of employees in a health management program; the next step is to keep them engaged over the course of several years [in order to] calculate cost benefits.

Key Elements To Ensure ROI

The panelists said program awareness, structure, process and outcome are key elements of a wellness initiative that will yield a successful return on investment (ROI), and noted that it is critical to determine the following program components:

- What is included in the program?
- What is the intervention?
- Where does the program take place?
- How is the program delivered?
- What content is included?
- Who manages the program?
- How many people participate?
- Do participants complete the program?
- Are the participants satisfied?
- Which aspects of the program are best attended?
- Does the program improve knowledge about health issues?
- Does the program change behavior?
- Does the program save money?
- What is the ROI?

"Often people come to me and say 'I want to measure financial impact' without considering all the intermediary steps that have to take place before you reach that ultimate cost-benefit equation," said Goetzel. "[But] it's kind of a step-wise progression where you need to start at the top."

Critical Success Factors

Before the ROI can be determined, Goetzel said, it's necessary to understand the following sequence of critical success factors:

- Awareness.
- Participation.
- Increased knowledge.
- Improved attitudes.
- Behavior changes.
- Risk reduction.
- Reduced utilization.
- Reduced benefit costs.

Screening Process

Holtyn said this information can be incorporated into a comprehensive worksite model that involves screening the participants.

"[At various worksites] we screened the individuals. We measured blood pressure, cholesterol [and] fitness levels … and discussed the results with them," Holtyn explained. "[We made sure] they understood the implications of the risk factors … and then determined if they needed to be seen again or if there was a willingness to look further into their health condition."

Holtyn said many program members were eager to continue their participation and were amenable to follow-up counseling and evaluation on an individual basis.

Focus and Participation

"We also worked with worksite wellness committees and with the environmental and policy issues within that worksite organization … we looked at vending machines, cafeteria menus and smoking policies," said Holtyn. "We looked at ways to keep participation levels high."

Holtyn said demonstrating ROI often depends on enrolling a certain percentage of the employees at a worksite in a health management program; the next step is to keep them engaged over the course of several years, since it can take between three and five years to calculate cost benefits, he added.

Goetzel said a wide range of ROIs can result from variations in program design and evaluation.

"Successful health management programs require excellent design, proper implementation and rigorous evaluation," he noted. "Consider the relative endpoints and who your audience is for these evaluation studies."

Goetzel stressed the importance of "focusing on what's important … decide how you'll use the results and measure at the beginning [of the program] to properly diagnose the problems."

The panelists said the performance data can be measured against key milestones to decide whether to enhance or discontinue a health management program.

Understanding Cost Benefits And Cost-Effectiveness In Workplace Wellness Programs

Cost benefit analysis (CBA) and cost-effectiveness analysis (CEA) play a large part in the ROI equation, but there are important distinctions between these terms, according to Dr. Ron Z. Goetzel of The MEDSTAT Group.

A CBA has everything to do with actual monies, while a CEA is more concerned with the non-financial aspect of health management programs, he explained.

Cost Effectiveness

A CEA focuses on non-monetary outcomes, such as health improvement, risk reduction, changes in health status, smoking cessation rates, weight loss and changes in cholesterol levels, Goetzel said.

“You’re not looking at dollar savings per se. You’re looking at other consequences that are often health-related,” he noted. “The difference between a CBA and CEA can depend on what is being measured.”

A CEA is defined in the following terms, according to Goetzel:

✦ The comparison consists of the cost of alternative intervention (health) outcome, such as health improvement, risk reduction, changes in cholesterol levels, weight loss, smoking cessation rates, etc.

✦ Results are presented as the incremental cost per unit of effectiveness for intervention A versus intervention B. For example, when comparing three separate smoking cessation methods, determine the cost for each participant who achieves a “quit smoking status.” (Adjustments are made for inflation and a specified discount rate.)

Cost Benefit

“CBA means everything is essentially translated into dollars —the inputs and the outputs,” said Goetzel. “The ROI, which is the money saved, is contrasted with the amount of money spent on the program.”

Goetzel said the following definitions apply for a CBA:

✦ All costs and benefits are monetized.

✦ Results are presented as the ratio of benefit-to-cost and return on investment. For example, three dollars saved for every dollar that was invested signifies a three-to-one ROI. (As with a CEA, adjustments are considered for inflation and a specified discount rate.)

Getting the Message

Goetzel said the terms are not interchangeable, although they are often misused.

“Employers often ask [about CBA and CEA] when they are evaluating health management programs; they want to know the distinction between [the terms] when they are examining health and financial outcomes,” he added. “It’s important to understand the newer terminology.”

About Wellness Program Management Advisor

Wellness Program Management Advisor, published since 1996, serves the management information needs of professionals in the growing workplace wellness and health promotion field. We serve subscribers responsible for managing, administering, planning or overseeing their organization's workplace wellness program.

Workplace wellness programs improve employee morale, reduce company healthcare costs and increase productivity on many levels, according to the results of the exclusive return on investment study conducted among wellness managers and reported on in **Wellness Program Management Advisor**.

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