

## Measuring Health and Wellness Program Value

Employer priorities and vendor best practices in program performance reporting



## Wellness Program Reporting: An Evolving Landscape

Health and wellness programs have earned a core role in the enterprise employee benefits portfolios for reasons that generally seem self-evident. It makes intuitive sense that a healthier workforce should be happier and more productive, easier to attract and retain, and less expensive to provide with medical care and insurance. But as these programs grow and diversify, intuitive assessments are no longer sufficient to justify investment or to guide program management decisions. If health and wellness are to compete effectively for capital, then like any other aspect of business operations they must offer quantitative measures of performance and value delivery that will satisfy the CFO and other key stakeholders.

Yet even a casual investigation shows little consistency in the methods and assumptions used to forecast savings in advance, or to calculate them after the fact. There are no standards for cost accounting, and the traditional use of claims analysis to estimate medical cost reductions introduces 16-18 months of delay. Many employers simply lack the tools and resources necessary to measure health outcomes and their cost impacts in a timely manner. The inevitable result is that some remain skeptical of the basic value proposition of workplace health and wellness programs.

## Employer Attitudes and Perceptions: An Assessment

To better understand what employers value in program measurement and reporting—and what they find wanting—Optum enlisted GfK Custom Research North America, a leading independent market research firm, to investigate the attitudes and perceptions of decision makers at firms that sponsor employee health programs. The study objectives were to document:

- What employers find most difficult in measuring program value
- How frequently they measure their programs' financial impacts
- Employer attitudes regarding wellness vendors' reporting practices
- The perceived benefits of real-time performance measurement

## Study Methodology

From August through September 2011, analysts at GfK conducted interviews with benefits decision makers and influencers at 403 companies with 3,000 or more employees. Employers were selected to represent a broad cross-section of industries, including municipal governments but excluding organizations in health-related fields. All were required to offer employee programs for condition management (i.e., diabetes, asthma, coronary artery disease) and/or wellness (i.e., biometric screening, health coaching, health fairs). Interviews were conducted using the online ResearchNow (formerly eRewards) business panel. Respondents included both decision makers (47 percent) and influencers (53 percent). The distribution of company size by employment was as follows:

- 16 percent (n=64) had between 3,000 and 4,999 employees
- 21 percent (n=86) had between 5,000 to 9,999 employees
- 14 percent (n=56) had between 10,000 to 14,999 employees
- 10 percent (n=41) had 15,000 and 24,999 employees
- 39 percent (n=156) had 25,000 or more employees

### Findings: A Philosophical Commitment to Health

Many respondents (62 percent) strongly believe it is important to offer a wide range of employer funded benefits, and that health and wellness programs in particular are an important factor in maximizing employee productivity. When asked to rate the program impacts that are most important in demonstrating value they cited health risk reductions (83 percent), improved quality of life (82 percent), reduced health care costs (80 percent), and increased productivity (78 percent) most frequently (see figure 1).

#### Rating the Importance of Program Impacts

Question: How important are each of the following aspects of health and wellness programs in demonstrating value?

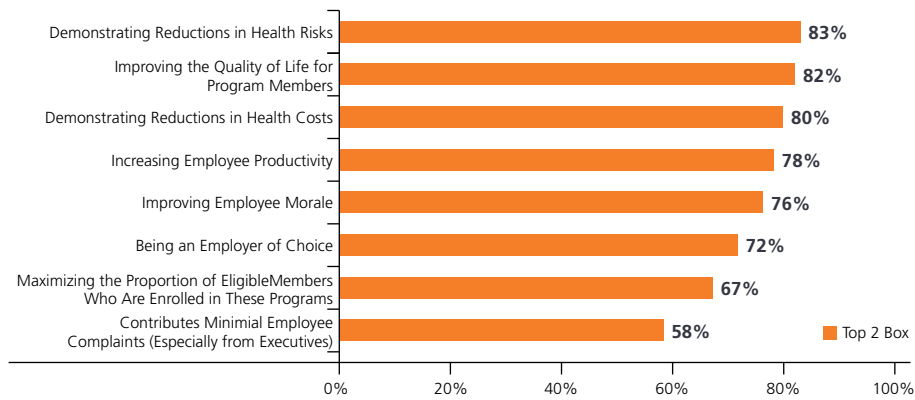


Figure 1: Important aspects of health and wellness programs

The expressed commitment to workplace health is further supported by respondents’ reports of near-term investment plans. The vast majority plan to maintain (53 percent) or increase (40 percent) current levels of program funding in the coming year, with only seven percent reporting planned reductions.

### Findings: Perceptions of Experience and Challenge

One interesting revelation from the survey is that less than half of all respondents (44 percent) feel that their companies are fully experienced with health management programs. Slightly more (48 percent) reported being somewhat experienced, with eight percent reporting being fairly new to the field.

When asked to rate the most important challenges in program management, most respondents cited issues of timely measurement (see figure 2). Getting timely measurements of productivity impacts was mentioned most frequently (62 percent of respondents), followed by timely measurements of cost reduction (60 percent), and of employee health improvement (60 percent). Fully half of all respondents cited long waits for claims analysis results as a serious challenge. Notably, only 27 percent mentioned communicating to employees the availability of health management programs as a significant challenge.

**Rating the Challenges of Program Management**

Question: To what extent is each of the following a challenge with regard to your company's health and wellness programs?

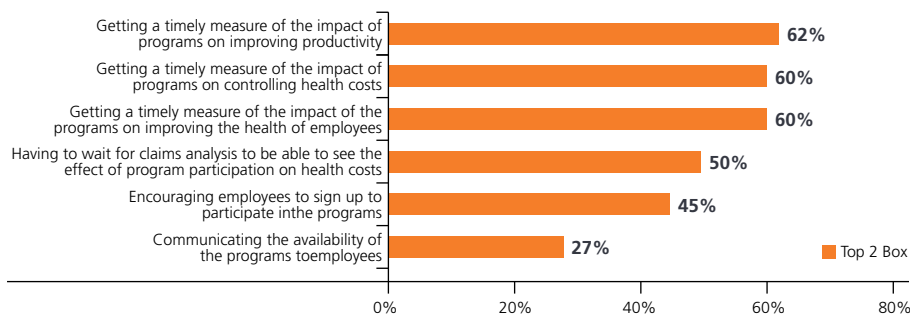


Figure 2: Challenges in health and wellness program management

**Findings: Vendors Need to Document Program Value**

Three out of four respondents agree that measures of participation or engagement alone are inadequate, that vendors need to better demonstrate how their programs affect costs. They point to several benefits that more timely and reliable reporting would enable for program managers, including greater ability to gain senior management support, optimize the program mix, and better prioritize employee communications. More than half express concern with long delays in value measurement, and with the trustworthiness of estimated cost and productivity impacts when the underlying calculations and assumptions are not fully disclosed or are difficult to understand.

More than half indicate they do not receive ROI estimates from their program vendors, or are unaware if such measures are available to them (see figure 3). Similar reports were received with regard to productivity savings estimates. More than two-thirds indicate that such reports are only available on an annual or quarterly basis (see figure 4).

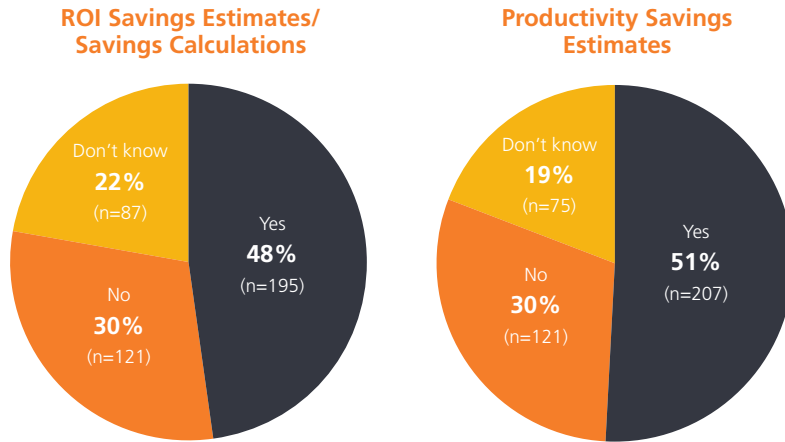


Figure 3: Availability of claims-based savings estimates/ROI calculations and productivity improvement estimates

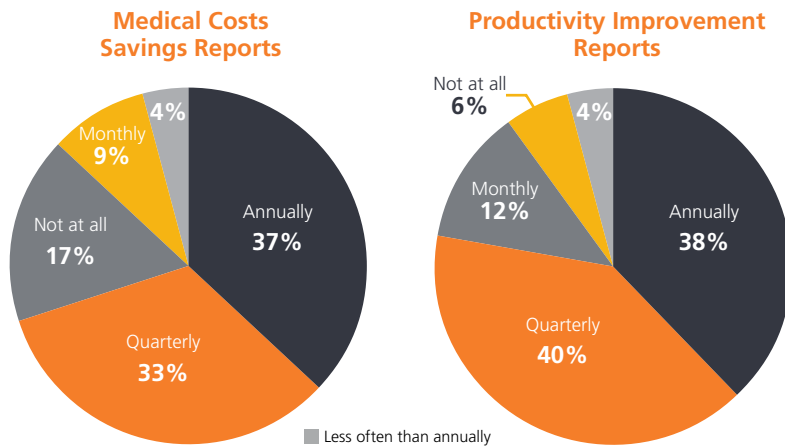


Figure 4: Frequency of claims-based savings estimates/ROI calculations and productivity improvement estimates

## Findings: Employers are Interested in Real-time Measurement and Reporting

When asked whether they would be interested in real-time value performance measurement, if a commercial solution were available, survey participants responded positively (see figure 5). Overall, 34 percent expressed definite interest, and an additional 38 percent said they would probably be interested. Interest was even higher among employers with plans to maintain or increase program funding in the coming year (49 percent definite, 37 percent probable).

### Interest in Real-time Measurement

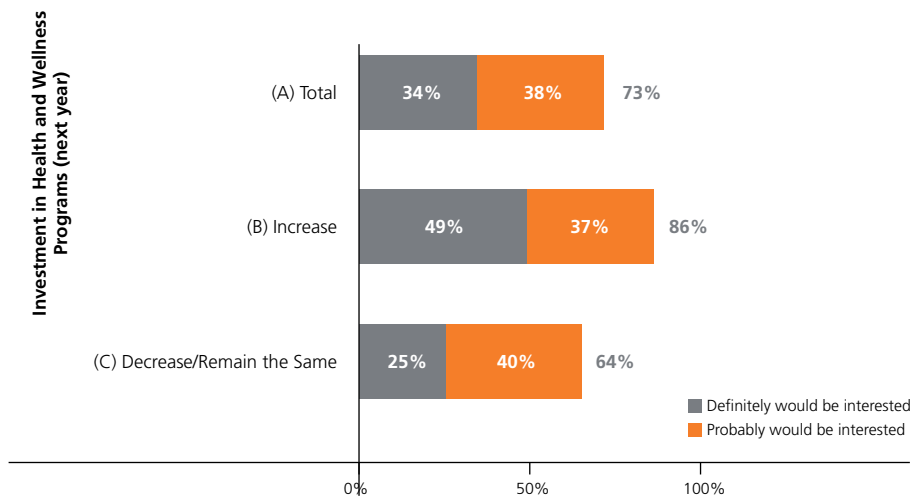


Figure 5: Employer interest in real-time program performance management

## Findings: Trends by Experience Level and Company Size

Several trends are evident in the survey responses with regard to reported levels of experience with health and wellness programs. Relative to companies that are new to the discipline, experienced companies are:

- More likely to plan investment increases over the next year (47 vs. 34 percent)
- More likely to believe that programs should improve quality of life (49 vs. 36 percent), reduce health risks (50 vs. 43 percent), and improve employee morale (47 vs. 38 percent)

In comparing the responses of larger and small companies (while keeping in mind all responding companies have at least 3,000 employees), it appears that:

- Smaller companies have less experience in implementing health and wellness (17 vs. 5 percent)
- Larger companies report more skepticism of claims estimates (22 vs. 11 percent)
- Larger employers report greater challenges with employee communications (30 vs. 16 percent)

## Overall Findings

To summarize our findings, employers seem broadly bullish on the benefits and overall value of health and wellness programs, even though less than half feel fully experienced with their implementation and management. Most are convinced of their utility in reducing employee health risks, controlling health care costs, maximizing productivity and improving quality of life. Moreover, fully 93 percent plan to maintain or increase their program funding over the coming year, particularly those with greater program experience.

None of this is to say that employers are remotely satisfied with the current state of their vendors' performance measurement and reporting capabilities. Many do not receive claims-based estimates of savings, ROI or productivity improvements; are unaware of their availability; or receive them too infrequently. They want vendors to do a better job of quantifying the health savings that result from program activities, and of communicating the way gaps in care lead to higher costs. More than half of the employers surveyed, particularly the largest, report that they do not necessarily trust their vendors' reporting.

## Toward Best Practices in Health Program Reporting

As a leading provider of workplace health and wellness programs, Optum is deeply involved in the effort to develop and implement best practices in all areas of program design and administration, including performance measurement and reporting. We believe that all reporting should be timely, accurate, user-friendly, and actionable.

**Timely** – Reports should be delivered as soon as possible after the close of reporting, allowing program managers adequate preparation for results presentation.

**Accurate** – Data validation should be built into the production schedule, so that inconsistencies are caught before they are released.

**User-friendly** – Every report should be intelligible to a lay reader without expert interpretation. All data should be adequately labeled, sources should be documented, terms should be defined, and graphics standards for coherent presentation observed.

**Actionable** – Where corrective actions are required, a simple statement of facts is simply insufficient. Every report should include conclusions, explanations, and recommendations as necessary.

## The Future of Health Program Value Performance Will Be Reported in Real-time

Workplace health and wellness programs have come a very long way despite a significant impediment. Their dependence on claims analysis for measuring the health and value impacts of program activities has imposed a degree of reporting delay that limits the ability of employers—and all other stakeholders—to extract the full potential return on their program investments. Real-time reporting capabilities are among the highest priorities for program vendors, and development teams throughout the industry are hard at work. Leading program platforms will soon deliver advanced performance measurement and management functionality that will replace the long lag of claims-based reporting with real-time insight and response—and Optum will lead the way.

## Authors

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As Clinical Value VP, David leads Optum's strategy for measuring the value of health management programs. His innovative methods demonstrate the effect on medical spend, population health, and productivity. Prior to joining Optum, David worked as a finance consultant, where he provided numerous Fortune 500 companies with strategic business analysis in developing tools and analyzing solutions with a direct focus on cost and process improvement. He holds a bachelor's degree in finance and serves on the board of an animal rescue organization in the Twin Cities. Finally, David brings a broad range of experience in both market assessment and health care management, and an ability to strategically apply cost-saving methodologies with go-to-market strategies to achieve organizational objectives.

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As vice president, health management solutions, Jess leads the company's efforts toward a ground-breaking total population management approach, which focuses on the whole person and improves overall engagement and value delivered. Jess previously led the strategy and architecture for the development of Optum's eSync technology platform. This platform provides the foundation for Optum's business offerings. He has been with UnitedHealth Group for more than 14 years, building a robust career profile in the technology, venture capital, and mergers and acquisitions disciplines. Prior to joining UnitedHealth Group, Jess was a senior manager with Andersen Consulting (now Accenture), designing and developing business solutions in the health care, telecommunications and airline industries. Jess holds a bachelor's degree in computer science from Luther College.

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Learn more about how Optum can help your organization improve the risk and cost reduction performance of employee wellness programs. Contact us at **1.866.386.3408** or **resourcecenter@optum.com**.

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