

# The Use of Worksite Wellness Programs to Improve Public Health

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## **Abstract**

The struggle to access healthcare in the United States continues to be hampered by an inability for millions of Americans to afford health insurance coverage. For those that do have health insurance coverage, the focus often times is on paying the claim and not detecting or treating the root cause of the illness in its early stages. This type of philosophy has contributed to the mass escalation of such medical conditions as obesity, which is approaching epidemic proportions in the United States. Left untreated, other costly and potentially fatal diseases can arise from obesity, thus creating additional negative impacts on public health. The combination of not having access to health care and not having an illness detected in its early stages has led to severe increases in insurance premiums. The large health insurance increases have made it extremely difficult for employers to offer health insurance to their employees.

Recognizing the need to create healthier lifestyles to reduce health insurance costs and improve public health, employers, health insurers and the United States Government have begun to embrace worksite wellness programs. These programs enable employees to take advantage of an assortment of programs designed to promote healthier lifestyles and detect potential serious medical conditions in the early stages. The increasing popularity of worksite wellness programs are helping employers, health insurers and the United States Government make a positive impact upon public health.

## **Purpose**

This paper will define and examine the success of worksite wellness programs through the review of primary and secondary sources, including an unobtrusive measure. Special attention will be given to certain employer and health insurer case examples that help illustrate the positive impact worksite wellness is having on reducing health insurance costs and improving public health. Additionally, this paper will examine national statistics as they relate to the success of small and large employers offering worksite wellness programs to their employees. This paper will conclude with recommendations on what can be done to meet one of the Healthy People 2010 goals of having at least 75 percent of all United States employers and employees participating in worksite wellness programs.

## Introduction and Background

Access to the healthcare delivery system in the United States is predominantly financed by private health insurance companies, whose premiums are covered by contributions from employers and employees. Large rate increases over the last several years, however, have played a major role in employers either drastically reducing health insurance coverage or not being able to offer health insurance coverage at all. A commonly referenced statistic is that an estimated 46 million Americans do not currently have health insurance.<sup>1</sup> The largest segment of the uninsured population are employees of small businesses.<sup>2</sup> In fact, “Less than half of all small firms with fewer than 50 employees (47 percent) offer health plans while 77 percent of all firms with 50 or more employees offer health plans.”<sup>3</sup> Consequently, the inability for many Americans to find affordable health insurance coverage through their employers has negatively impacted public health in the United States.

In an attempt to lower health insurance costs and improve access to healthcare, employers and insurance companies have focused their attention on offering worksite wellness programs to employees. These are programs that employees can utilize to reduce the risk of developing a more serious medical condition. Examples of worksite wellness programs include exercise, smoking cessation classes, back care programs, stress management and healthy eating. Reasons for employers and insurance companies wanting to offer worksite wellness programs to employees include the fact that 80 percent of the illnesses and disease in the United States are preventable.<sup>4</sup> According to the Wellness Councils of America, “preventable illnesses and diseases account for eight of the nine

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<sup>1</sup> Julie Appleby, “46.3 million don’t have health insurance.” *USA Today* 30 Sept. 2003: 3b.

<sup>2</sup> Christopher Stream, “Health Reform in the States.” *Political Research Quarterly* 52.3 (1999): 499-525. JSTOR. George Mason Library. 3 Oct. 2003 <<http://www.jstor.com>> .

<sup>3</sup> Actuarial Research Corporation of Annandale, VA under contract SBAHQ-01-M-0811 for Office of Advocacy of the U.S. Small Business Administration. “Study of the Administrative Costs and Actuarial Values of Small Health Plans.” Jan. 2003 <[www.sba.gov/advo/research/res22tot.pdf](http://www.sba.gov/advo/research/res22tot.pdf)>. (November, 2006).

<sup>4</sup> “Worksite Wellness: Why Should Your Company Offer Worksite Wellness Programs?,” [http://preventdisease.com/worksite\\_wellness/worksite\\_wellness.html](http://preventdisease.com/worksite_wellness/worksite_wellness.html) (November, 2006).

leading causes of death, of which there are more than 980,000 per year.”<sup>5</sup> By offering worksite wellness programs to employees that identify and lower the risks for certain illnesses and diseases, employers and health insurers are looking to significantly reduce the \$1.4 trillion that is spent annually on healthcare in the United States.<sup>6</sup> Preventable illness makes up approximately 70 percent of the total costs of illness.<sup>7</sup> For example, smokers incur 21 percent and heavy drinkers incur 14 percent more in claims compared to the corresponding baseline population. According to Prevent Disease.com, “because much of these costs are linked to health habits, it is possible for employers to take aggressive action toward reducing healthcare utilization and containing costs by implementing a health promotion program.”<sup>8</sup>

One of the greatest causes of preventable illness in the United States is obesity. A 2004 Unum Provident study found that those suffering from obesity incur 36 percent more in claims than the corresponding baseline population. The study also found additional increases in related health disorders as a result of being obese. Specifically, the study identified increases in the following:

- 100 percent increase in hypertension and diabetes
- 78 percent increase in musculoskeletal disorders
- 63 increase in cancer
- 46 increase in back disorders
- 17 percent increase in cardiovascular disease
- 4000 percent increase in syndromes including fibromyalgia, chronic fatigue syndrome and irritable bowel syndrome<sup>9</sup>

Studies have also been performed to examine the potential cost savings to corporations if they were to implement worksite wellness programs that dealt with obesity. For example,

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<sup>5</sup> “Why Build a Well Workplace?” <http://www.welcoa.org/wellworkplace/index.php?category=1>> (November, 2006).

<sup>6</sup> The New York City Department of Health and Mental Hygiene, “Wellness at Work Program.” < <http://www.nyc.gov/html/doh/html/wellness/wellness-why.shtml>> (November, 2006).

<sup>7</sup> “Building a Well Workplace: Six Reasons Why Health Promotions Make Good Business Sense.” < <http://www.welcoa.org/wellworkplace/overview/>> (November, 2006).

<sup>8</sup> “Preventdisease.com.” <[http://preventdisease.com/worksite\\_wellness/worksite\\_wellness.html](http://preventdisease.com/worksite_wellness/worksite_wellness.html) (November, 2006).

<sup>9</sup> “Health/Care Management: Onsite Medical Services.” <http://www.businessgrouphealth.org> (November, 2006).

23,500 of General Motor's 200,000 employees were studied in 2004 by researchers at the University of Michigan to determine correlations between healthcare costs and physical activity. The study found that 25 percent of the 23,500 employees were obese. It was concluded that healthcare costs for the 23,500 General Motor's employees could be reduced by \$790,000 or 1.5 percent annually by getting the most sedentary workers to begin an exercise program. If just 20 minutes of light-aerobic exercise two or more days a week were adopted company-wide, researchers predicted annual savings of \$7.1 million per year in total healthcare costs.<sup>10</sup> "It costs employers an average of \$1500 more per year to insure an obese employee than it does someone of average weight."<sup>11</sup>

Figure 1

Yearly Claims Costs of an Unhealthy Employee

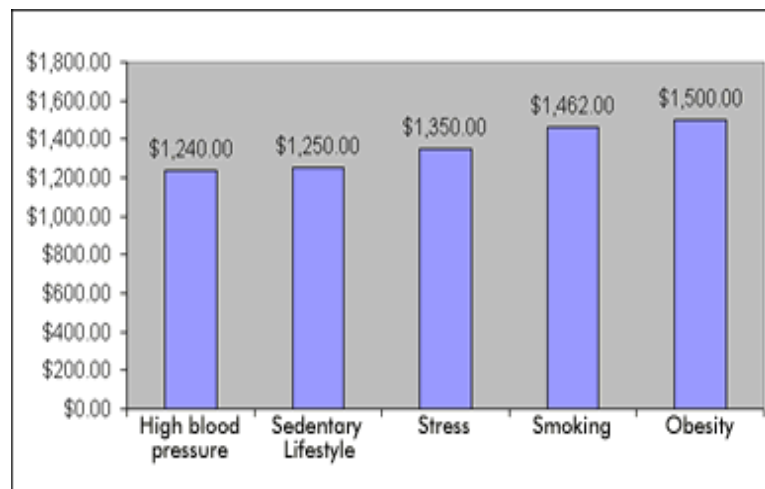


Chart Source: Employee Benefit News, 1997. "Overall Return on Investment." Retrieved November 20, 2006 from Disease.com website.

<sup>10</sup> "Even Without Weight Loss, Physical Activity Lowers Obese Workers Healthcare Costs." <http://www.centerforamericannurses.org/wellness/health/exercisecuts.pdf> (November, 2006).

<sup>11</sup> "Worksite Wellness: Why Should Your Company Offer Worksite Wellness Programs?," [http://preventdisease.com/worksite\\_wellness/worksite\\_wellness.html](http://preventdisease.com/worksite_wellness/worksite_wellness.html) (November, 2006).

Overall, the direct medical cost associated with physical inactivity was \$29 billion in 1987 dollars and nearly \$77 billion in 2000 dollars.<sup>12</sup> Additional benefits to employers include reduced absenteeism and turnover and improved productivity and morale. With respect to improved productivity and morale, “a NASA study reported a 12.5 percent increase in productivity in their fitness program participants versus non-participants.”<sup>13</sup> Other examples include a 2001 Business and Health study, which found that 50 percent of Merrill Lynch’s 50,000 employees utilized worksite wellness programs in 2000. The Merrill Lynch worksite wellness program included flu shots as well as mammograms, pap tests, cancer and hypertension screenings. It is estimated that Merrill Lynch saved over \$2 million in productivity savings by implementing a comprehensive worksite wellness program.<sup>14</sup>

Some employers, however, have questioned the actual return on investment (ROI) as worksite wellness programs do have associated implementation costs. The evidence suggests otherwise as there have been over 50 worksite wellness studies performed since 1980 and each study has indicated both positive health and cost outcomes.<sup>15</sup>

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<sup>12</sup> “Chronic Disease Burden and Expenditures in the United States: A Report from State and Territorial health Agencies.” 4 November 2006.  
<http://chronicdisease.org/NEW/documents/State%20Expenditures%20Report%20Draft%20112904%20A.pdf>  
(November, 2006).

<sup>13</sup> “Preventdisease.com.” <[http://preventdisease.com/worksite\\_wellness/worksite\\_wellness.html](http://preventdisease.com/worksite_wellness/worksite_wellness.html)>  
(November, 2006).

<sup>14</sup> “Health/Care Management: Onsite Medical Services.” <http://www.businessgrouphealth.org>  
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<sup>15</sup> “Preventdisease.com.” <[http://preventdisease.com/worksite\\_wellness/worksite\\_wellness.html](http://preventdisease.com/worksite_wellness/worksite_wellness.html)>  
(November, 2006).

**Figure 1**

**Employer Dollars Saved**



Chart Source: Chart Source: Employee Benefit News, 1997. “Overall Return on Investment.” Retrieved November 20, 2006 from Disease.com website.

These types of cost savings for employers are compelling in that they are increasing savings and improving public health simultaneously.

Health insurers have also recognized the cost and health benefits of worksite wellness. As a result, many health insurers have started offering worksite wellness programs to employers at little or no charge. National health insurance carriers like Aetna, Blue Cross Blue Shield, United Healthcare and Kaiser Permanente offer an array of wellness programs. For instance, Aetna offers a multitude of programs ranging from gym membership discounts and healthy weight and body programs to disease management programs that target chronic illnesses such as asthma and diabetes.<sup>16</sup> Kaiser Permanente has also introduced a worksite wellness program in the mid-Atlantic region, which offers both clinical and non-clinical programs. These programs include glucose and cholesterol screenings as well as nutritional counseling. As an employee with Kaiser Permanente, I was instrumental in helping develop and establish the measures by which Kaiser Permanente would judge the program to be

<sup>16</sup> “Aetna Health and Wellness Programs.” [http://www.aetna.com/employer/health\\_wellness.html](http://www.aetna.com/employer/health_wellness.html). (November, 2006).

successful. Specifically, the Kaiser Permanente worksite wellness program was established in 2005 and targeted 100 employers. The employers targeted for worksite wellness had to have at least 500 employees and a medical/loss ratio greater than 75 percent. Generally speaking, employers with medical/loss ratios of 75 percent or more tend not to be profitable groups. The overall loss ratio for the 100 combined groups was 87 percent. The worksite wellness programs available to these 100 employer groups were offered at no charge. One year later all 100 employer groups were reevaluated in terms of calculating their combined medical loss ratio. The overall medical loss ratio for these employer groups in 2006 had fallen to 78 percent or a nine point decrease over 2005. Given the cost and subsequent improved health benefits experienced by both employers and health insurers when offering worksite wellness, it is clear why “81 percent of businesses with 50 or more employees have some form of health promotion program.”<sup>17</sup>

## **Methodology**

The goal of this study was to identify the impact worksite wellness programs are having on lowering costs and improving public health. To identify the impact, research was gathered and used from both primary and secondary sources. As referenced earlier, my employment with Kaiser Permanente enabled me to become extensively involved with the creation of Kaiser Permanente’s worksite wellness program. Consequently, I had come to recognize the value in worksite wellness programs improving public health. To further identify and establish the impact of worksite wellness programs upon public health, I used various search engines and used phrases such as “US Government worksite wellness,” “employers’ worksite wellness,” “health insurers’ worksite wellness,” and “worksite wellness.” The United States Government, health insurers and employers were used as part

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<sup>17</sup> “Preventdisease.com.” <[http://preventdisease.com/worksite\\_wellness/worksite\\_wellness.html](http://preventdisease.com/worksite_wellness/worksite_wellness.html) (November, 2006).

of my search given that they are key stakeholders in the improvement of public health. My search of “US Government worksite wellness” found links to the Healthy People 2010 initiative. The information contained in the Healthy People 2010 website outlined specific goals to the percentage of businesses and employees that should be participating in worksite wellness programs by 2010.

As mentioned, health insurers are another key stakeholder in the worksite wellness movement. Therefore, I embarked upon trying to collect information relative to the worksite wellness programs offered by various health insurers in the United States. I searched various health insurers’ websites such as Aetna, Blue Cross Blue Shield, United Healthcare and Cigna. I also was able to obtain health insurer literature through attending several employer sponsored open enrollment meetings. My own personal experience with Kaiser Permanente’s worksite wellness program also helped in compiling the information needed to understand what health insurers are doing with regard to worksite wellness. This information found on health insurers identified the various worksite wellness programs offered and some of the incentives health insurers are establishing to encourage participation in worksite wellness.

Employers were the third main starting point from which I conducted my research. Online searches identified key websites that provided significant data with respect to how employers are using worksite wellness programs. For example, I was able to find numerous employer surveys that were conducted by the National Business Group on Health relative to worksite wellness. This research also identified key drivers of employer healthcare costs such as obesity. By identifying the drivers behind rising healthcare costs, I was able to research data bases and online periodicals to identify what employers are doing to improve the health of their employees. The information found was useful in that all indicators suggest that worksite wellness programs lowers claims costs, which lowers health insurance

premiums. With lower insurance premiums, more employers can afford to insure their employees and this also helps to improve public health.

## **Results**

As mentioned in the methodology section of this paper, three of the main stakeholders in the outcomes of worksite wellness programs are the United States Government, employers and health insurers. The results that worksite wellness programs have produced will be discussed according to each key stakeholder.

### **1) United States Government**

Arguments abound on the amount of involvement the United States government should have in providing affordable health insurance coverage to all Americans. There is less argument, however, in understanding the need for the government to take an active role in promoting worksite wellness as a means of improving public health. The intended consequences of increased worksite wellness participation would positively impact the economy and United States expenditures on healthcare. As discussed, obesity puts individuals at risk for an assortment of other medical conditions including diabetes. In fact, 20 percent of all Medicaid claims paid are in relation to diabetes. An article in the August 2004 edition of “National Geographic” stated that “being overweight is associated with 400,000 deaths a year and an increased risk of heart disease, type 2 diabetes, colon, breast and endometrial cancers.”<sup>18</sup> It was also noted in the article that the number of obese Americans identified through the use of the body mass index jumped to 30.9 percent compared to 14.5 percent in 1971. These types of preventable illnesses associated with obesity are negatively impacting the United States economy. The Centers for Disease and Control (CDC) estimates that the annual cost of obesity in the United States has exceeded

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<sup>18</sup> Cathy Newman, “Why are we so Fat,” National Geographic, August 2004, 72.

\$117 billion.<sup>19</sup> Government efforts, such as the HealthierUS Cooperative Agreement Program between the United States Department of Health and Human Services and the CDC are providing “funds to communities to implement chronic disease prevention and health promotion programs that target three major chronic diseases – diabetes, obesity and asthma.”<sup>20</sup> Medicare has also recently redefined obesity as a medical condition and this is helping remove barriers to certain obesity treatments. Agency cooperation within the United States Government is crucial in advancing the cause of wellness and improving public health.

## **2) Employers**

Employers are playing a vital role in the establishment of worksite wellness programs and therefore improving public health. Worksite wellness programs were originally embraced in the 1980s by employers but had fallen from popularity. After several consecutive years of double digit health insurance rate increases, employers started to reexamine the impact worksite wellness programs could have on the corporate bottom line. Along with reducing the amount of claims incurred other key findings included reduced absenteeism and reduced employee turnover. Johnson and Johnson “reduced their absenteeism rate by 15 percent within two years of introducing their wellness program. They also cut their hospital costs by 34 percent after just three years.”<sup>21</sup> Recent studies by the Health Management Research Center (HMRC) “show a savings to cost ratio of more than \$3 saved for each dollar invested. Documented savings were observed in medical costs, absenteeism, worker’s comp, short-term disability and presenteeism (how productive is the employee during their time on the job).”<sup>22</sup> Worksite wellness programs are helping employers keep medical costs down while also improving public health.

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<sup>19</sup> “Programs in Brief: Chronic Disease Prevention.” <http://www.cdc.gov/programs/chron04.htm>. (November, 2006).

<sup>20</sup> “Steps to a HealthierUS Initiative.” <http://www.healthierus.gov/steps/index.html>. (November, 2006).

<sup>21</sup> “Preventdisease.com.” <[http://preventdisease.com/worksite\\_wellness/worksite\\_wellness.html](http://preventdisease.com/worksite_wellness/worksite_wellness.html)> (November, 2006).

<sup>22</sup> Janet Mendler, “Investing in a Healthy Workforce to Control Healthcare Costs,” University of Michigan News Service, 5 July 2001, 4.

### **3) Health insurance carriers**

It is no secret that health insurers in the United States are mainly for-profit corporations. Their profitability is directly tied to the risk assumed in those that they insure. It therefore is in the health insurers' best interest that they insure as healthy a population as possible. Employee participation in worksite wellness programs are providing a way for health insurers to reduce health costs through improving the health of the population they insure. One way health insurers are maximizing employee participation in worksite wellness programs is to offer incentives. For instance, in 2005, "10,000 Blue Cross Blue Shield of Massachusetts (BCBSMA) members resolved to lead a healthier lifestyle by signing up with the insurer's worksite wellness programs and got paid for it."<sup>23</sup> According to the article, the worksite wellness programs helped many of the 10,000 BCBSMA participants lose weight, quit smoking, reduce stress and improve eating habits. Kaiser Permanente offers similar incentives for participating in its 10,000 Steps program, which offers members a pedometer and website as a means of tracking their steps. These types of worksite wellness programs offered by insurers are helping to increase their profitability through the improvement of public health.

### **Discussion**

The key stakeholders mentioned earlier – the United States Government, employers and health insurance carriers all stand to suffer substantial financial losses if they are not able improve public health. For the United States government, there is clearly a need to help the 45 million Americans without health insurance obtain some level of coverage. The revolutionary policies proposed in the past, however, such as President Clinton's "managed

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<sup>23</sup> "10,000 BCBSMA Members Got Paid for Leading a Healthier Lifestyle in 2005 Through Worksite Wellness Programs." <http://businesswire.com>. (November, 2006).

competition” proposal and President George W. Bush’s Association Health Plan (AHP) proposal faced sharp criticism and consequently did not become law. Even if either of these proposals had become law, the question of how to improve the health of Americans would remain. Both of these programs addressed cost to a certain extent, but they did not offer a solution to the underlying drivers of what is causing the enormous expense of healthcare. We need not look further than the earlier referenced example of 20 percent of all Medicaid expenditures going toward diabetes related conditions. Such systems that only look to pay claims are not answering the question of how to create healthier lifestyles and prevent these conditions from occurring in the first place.

The benefits to improving the health of Americans are recognized, but there is not a coordinated effort between government, employers and health insurers to improve the health of Americans. The patchwork approach to providing worksite wellness programs have shown positive results in many instances, but for some employers, the ability to implement and use these programs is limited. The large majority of employers, who are unable to offer worksite wellness programs, are small employers with 50 or less employees. According to the Small Business Administration (SBA), small business employers comprise 98 percent of the total number of employers in the United States and almost half of the entire employee population.<sup>24</sup> As previously discussed, less than half of all small business owners are able to provide their employees health insurance, which means that those employees are not able to access worksite wellness programs. Additionally, insurers tend to stay away from making worksite wellness investments in small employers as they are more concerned with retaining the larger revenue generating employer groups. Therefore, there is a substantial need for a cohesive worksite wellness program available to all sized employers.

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<sup>24</sup> Small Business Administration Website <http://www.sba.gov> . (November, 2006).

## **Conclusion**

Worksite wellness programs have proven to be effective in improving public health within the United States. These programs, however, must become more consistent in what is offered along with to whom and how they are offered. The consequence of not establishing such parameters are great given the United States is on the verge of an obesity epidemic. It therefore must be a priority that the federal, state and local governments work with employers and health insurers to ensure that the Healthy People 2010 goal of having 75 percent of all employers offer a comprehensive worksite wellness program is achieved. This goal will not be met unless the government creates a policy that starts with making worksite wellness programs affordable to small business employers.

One way to make worksite wellness programs more affordable for small business employers is through the use of the federal tax code. Since its inception, the federal tax code has been used as a vehicle in shaping social policy. For that reason, it is recommended that tax incentives be explored as a possible incentive for small business employers, who implement worksite wellness programs. As referenced earlier, less than half of all small business employers in the United States offer their employees health insurance coverage. The reason is largely because of costs. Tax incentives to small business employers would help reduce the rising cost trend and allow health insurance coverage to be offered to more employees. In order to maximize worksite wellness participation, an incentive should also be considered for the employees who participate in such programs. By maximizing both the availability and participation in worksite wellness programs through financial incentives, health insurance will become more affordable through lower claims and premium costs.

In the final analysis, cooperation between the United States Government, employers and health insurers will ultimately decide just how effective worksite wellness can be in contributing to the continuous goal of improving public health.

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