



4TH ANNUAL

SURVEY OF CORPORATE WELLNESS PROGRAMS

SURVEY SUMMARY

INTRODUCTION

Healthcare cost increases continue to outpace general inflation and workers earnings. As a result many companies are increasingly adding wellness programs or adding to existing wellness programs as a strategy to controlling increasing costs with the belief that healthier individuals will temper future healthcare cost increases and be a positive workforce initiative.

Wellness programs come at a cost. As companies increase their wellness program offerings these additional costs, as perceived by corporate finance departments, must be justified. As a result, many human resources and benefit managers are forced to dismantle the very wellness programs that could help reduce their long term claims costs.

The Alliance for Wellness ROI, Inc. ("Alliance") is a 501(c)(3) non-profit inter-company cooperative formed in January 2005. The mission of the Alliance is to promote corporate wellness programs by demonstrating, through an objective Return on Investment ("ROI") measurement, that wellness programs are an investment rather than an expense to a company. (See more on Alliance activities at www.roiwellness.org.)

Before an objective ROI can be measured, there needs to be standardization among wellness program offerings or components. The Annual Survey of Corporate wellness programs is one step in the ongoing completion of this standardization. The value of this survey to employers is the ability to compare wellness program data and benchmarks to other large national employers. Such comparisons can include ROI for individual program components as well as all components combined, average participation levels and how those levels are achieved at each company, ideas for incentives to increase participation to targeted populations, and, because not all wellness program components are created equal, identifying slight variations within components that enhance the ability to reach out and change participant health behaviors. The survey also serves the process of accumulating information that is being used to standardize terminology of wellness programs for benchmark programs comparisons.

Following is a summary of the results of the Alliance's 4th Annual Survey. *Note that response percentages are rounded and will not always equal 100%.*

SURVEY RESPONDENT OVERVIEW

The 4th Annual Survey represents roughly 250,000 employees and 700,000 plan participants from large corporations with self-funded plans located in the United States. The respondents in this survey represents roughly the same number of respondents from the prior three surveys however, the company size is slightly smaller on average.

| # of Employees | Response Percent |
|------------------|------------------|
| < 10,001 | 50.0% |
| 10,001 to 15,000 | 11.1% |
| 15,001 to 20,000 | 11.1% |
| 20,001 to 25,000 | 11.1% |
| 25,000+ | 16.7% |

| Industry | Response Percent |
|--|------------------|
| Health/Legal/Educational and Social Services | 16.7% |
| Manufacturing | 11.1% |
| Mining/Energy/Oil | 11.1% |
| Food & Beverage | 11.1% |
| Insurance | 11.1% |
| Transportation | 5.6% |
| Construction | 5.6% |
| Metal | 5.6% |
| Industrial/Electrical and Transportation Equipment | 5.6% |
| Business Services | 5.6% |
| Publishing and Printing | 5.6% |
| Retail | 5.6% |

The 4th annual survey respondents continue to represent a more varied group of industries with a slight majority representing health, legal, educational and social services.

Wellness programs were initiated primarily in the Benefits and Human Resources departments. Other departments that have initiated wellness programs typically have health promotion responsibilities.

| Department where Wellness was Initiated | Response Percent |
|---|------------------|
| Benefits | 23.1% |
| Human Resources | 38.5% |
| HR/Benefits | 23.1% |
| Health Services | 15.4% |

| Senior Management Support | Response Percent |
|---------------------------|------------------|
| 1-4 | 5.9% |
| 5 | 5.9% |
| 6 | 11.8% |
| 7 | 17.6% |
| 8 | 17.6% |
| 9 | 17.6% |
| 10 | 23.5% |

On a scale of 1 to 10 (10 being absolutely supportive), many survey respondents have senior management that is supportive of their wellness program.

The per employee total wellness program cost varies considerably from less than \$50 to over \$400 annually. Almost 20% of the responding companies have annual average wellness program costs in excess of \$400. This wide variance is due primarily to the number of wellness program components offered but is also due to the types of components offered. For instance, one of the respondents offers a comprehensive physical outside of the medical plan to all employees and their spouses. Some companies may consider the cost of this benefit a healthcare cost and others may consider it a wellness program cost. This type of response allows the Alliance to create standards for wellness program components and costs for purposes of the wellness program ROI valuation comparison

| Annual Per Employee Cost | Response Percent |
|--------------------------|------------------|
| Less than \$50 | 33.3% |
| \$50 - \$99 | 16.7% |
| \$100 - \$149 | 33.3% |
| \$150 - \$199 | 0.0% |
| \$200 - \$249 | 0.0% |
| \$250 - \$399 | 0.0% |
| \$400+ | 16.7% |

One important measure of “value” for a wellness program is ROI. From the results we found that companies are beginning to look beyond just ROI to additional metrics to value their wellness program. Such metrics include:

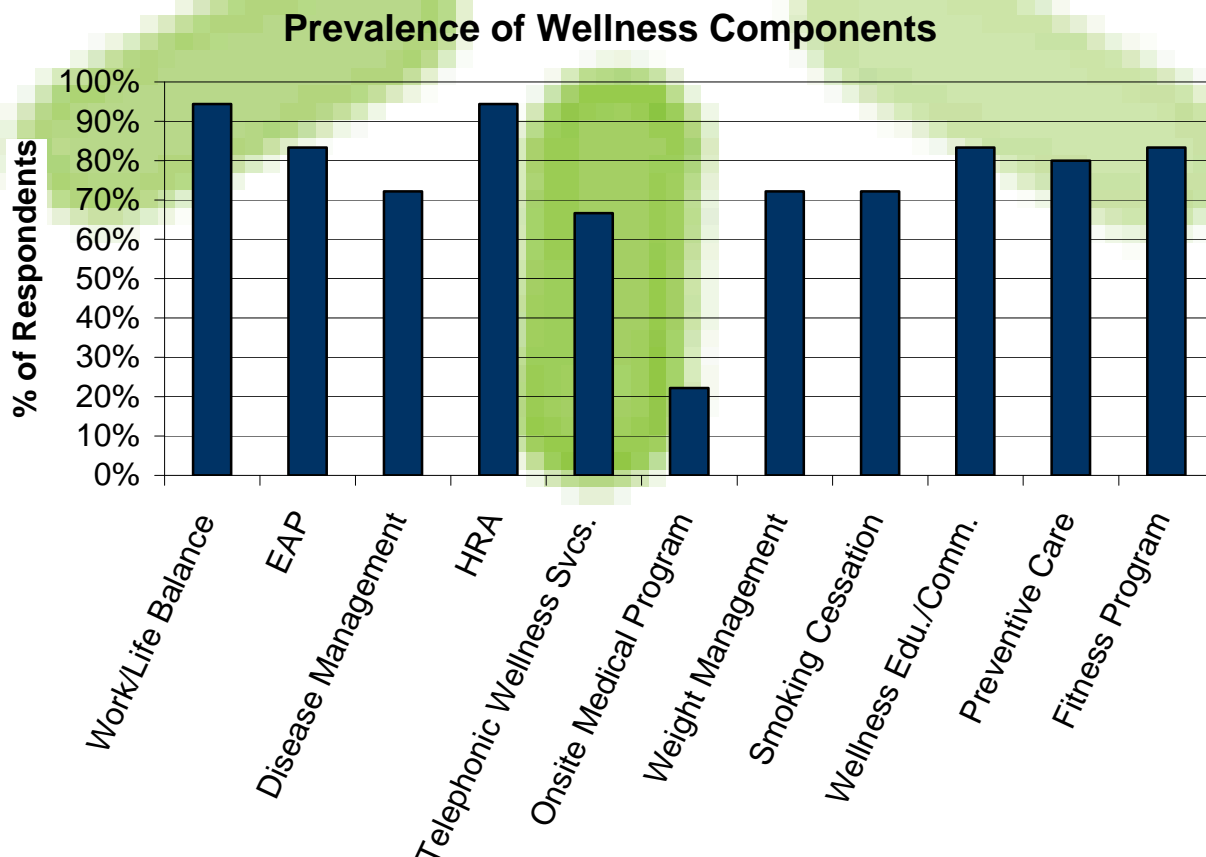
- Wellness Program Utilization;
- Decrease in risk (measured by HRA responses, decreased healthcare costs and absenteeism);
- Reduction in medical trend
- Comparison of healthcare costs to benchmarks;
- Employee satisfaction;
- Employee biometric data;
- Actuarial analysis of participant vs. non-participant claims; and
- Adherence to recommended diagnostic protocols.

Prevalence and Type of Wellness Program Offerings

Due to the relatively large size of the companies participating in the survey we found that all of the responding companies have some semblance of a wellness program, the majority of which are extremely robust (e.g. includes more than 5 of the Alliance's standard defined wellness programs components - see complete listing of all 11 at www.roiwellness.org).

However, the number of wellness program components offered by the survey respondents is slightly lower than the previous survey. This could reflect different responding companies from prior surveys combined with the smaller company size of this year's respondents.

The most prevalent wellness program offerings of the survey respondents were work/life balance, employee assistance programs (EAP), HRA, wellness educational materials, and fitness programs. The wellness program components offered by the fewest survey respondents were telephonic wellness services and onsite medical programs.



Work/Life Balance Programs

- Of the 90+% respondents that offer a work/life balance component, the most prevalent are service programs managed externally by separate vendors, with the exception of lactation support programs, which are primarily administered internally.
- Participation in work/life balance programs is typically less than 10% with the exception of onsite and offsite child care which ranges from 30-50%.

| Work/Life Balance Program Components | Response Percent |
|--------------------------------------|------------------|
| Legal | 71% |
| Financial | 53% |
| Concierge | 47% |
| Subsidy for Onsite Childcare | 18% |
| Subsidy for Offsite Childcare | 0% |
| Lactation Support | 59% |

Employee Assistance Program (EAP)

- Eighty-three percent of survey respondents offer an EAP, typically through plan providers separate from the medical plans.
- EAPs are one of the earliest wellness program components offered by respondents.
- Participation in the EAP is typically up to 10%.
- Many of the EAP services dovetail with the other wellness program components, particularly the work/life balance and smoking cessation components.

| EAP Components | Response Percent |
|----------------------------|------------------|
| Call Line | 100% |
| Stress Management | 53% |
| Critical Incident Services | 80% |

Disease Management Programs

- Seventy-two percent of survey respondents offer the disease management wellness program component and have program components that identify plan participants as chronically ill, and then manage the care of those chronically ill participants.
- The goal of these programs is to ultimately reduce necessary hospital stays by mismanagement of these chronic illnesses.
- Disease management programs have increased in prevalence over the last 4-5 years and are almost always offered through either a medical plan or another third party vendor.

| Disease Management Components | Response Percent |
|--|------------------|
| Disease Management for Participants with Chronic Illness | 100% |
| Self-help for Participants with Chronic Illness | 46% |

Health Risk Appraisal (HRA)

- Ninety-four percent of respondents offer an HRA. This is up from 80% in last year's survey.
- Companies are increasingly offering HRAs as a wellness program component, many with financial incentives for the employees to complete the HRA.
- Of the respondents that offer HRAs, almost 55% offer incentives for participation. The incentives include cash, reduced medical plan contributions, contributions added to the employee's flexible spending account, and gifts. Recent regulations have more clearly defined the format in which financial incentives can be used which may impact the use of these types of incentives.

Telephonic Wellness Services

- The nurseline is the most prevalent telephonic wellness program component.
- Most nurselines are administered by the Medical Plan Administrator and have typically been part of survey respondent wellness programs for more than 4 years.
- Telephone coaching programs are a relatively new program and are being increasingly added by companies.

| Telephonic Wellness Services | Response Percent |
|------------------------------|------------------|
| Nurseline | 92% |
| Telephone Coaching | 69% |

Onsite Medical

- Of the responding companies that offer onsite medical programs, most offer an onsite nurse.
- All respondents have been offering this component for at least 5 years.

| Onsite Medical | Response Percent |
|------------------|------------------|
| Onsite Nurse | 80% |
| Onsite Physician | 40% |
| Onsite Safety | 100% |

Weight Management

- Of the responding companies that offer at least one weight management program component, most were first offered within the past few years.
- In some instances, to receive coverage, the participants must meet certain requirements such as BMI above a pre-defined level.

| Weight Management | Response Percent |
|---------------------------------------|------------------|
| Coverage or Discounts for Weight Loss | 85% |
| Weight Loss Surgery | 69% |
| Weight Loss Medications | 31% |
| Nutritional Counseling | 54% |
| Healthy Cafeteria Choices | 92% |
| Financial Incentives for Weight Loss | 8% |

Smoking Cessation

- Of the responding companies that offer at least one smoking cessation program component, most offer discounts for smoking cessation medications and self-help programs.
- Incentives (and disincentives) for smoking cessation is a relatively new idea and includes financial rewards for cessation and increased monthly medical plan contributions for smokers.

| Smoking Cessation | Response Percent |
|--|------------------|
| Rewards or Incentives for Smoking Cessation | 31% |
| Rewards or Incentives for Continued Smoking Abstinence | 15% |
| Benefits through Medical Plan | 54% |
| Discounts for Medications | 69% |
| Self-help | 69% |

Wellness Education/Communication

- Most survey respondents offer at least one type of wellness education and communication program component.
- Print and online communications are the most popular, most likely a phenomenon of the internet as well as the increase in geographically dispersed workforces.
- Non-print communications have recently been offered to employees in place of or in addition to traditional print communications.

| Wellness Education/Communication | Response Percent |
|----------------------------------|------------------|
| Print Communications | 87% |
| Online Communications | 93% |
| Audio/Visual Communications | 27% |
| Self-care Guide | 27% |
| Pre-natal Program | 67% |

Preventive Care

- Of the respondents that offer preventive care components, both physicals inside and outside of the medical plan are commonly used.
- Physicals outside of the medical plan typically consist of screenings only, however some include more standardly defined comprehensive carve-out physicals similar to those previously only offered to executives.

| Preventive Care | Response Percent |
|------------------------------------|------------------|
| Physical (as part of medical plan) | 80% |
| Physical (outside of medical plan) | 87% |

Fitness

- The majority of survey respondents that offer fitness programs predominantly offer onsite fitness facilities and discounts for fitness clubs.
- The majority of fitness programs have been in place for more than 5 years.

| Fitness | Response Percent |
|-----------------------|------------------|
| Onsite Fitness | 67% |
| Fitness Club Subsidy | 47% |
| Fitness Club Discount | 87% |

FINANCIAL OVERVIEW

The cost of wellness programs is becoming increasingly visible and as such is being scrutinized by senior management. The pressure is on Benefits and Human Resources departments to defend the financial viability of wellness programs. Unfortunately, results from return on investment (ROI) studies have been inconsistent and lacking in comparative repeat results thus not valid for P&L recognition. Published ROIs have ranged from \$1:1 to \$20:1. This lack of consistency has not helped the benefits community effectively prove the value of wellness programs.

Three survey respondents noted a Return on Investment (ROI) calculation for their entire wellness program. Note that most wellness ROI calculations include the cost of the wellness program therefore an ROI of \$2.53 to \$1.00 has a return of \$1.53 beyond what was spent on the wellness program.

| Wellness Program ROI | ROI | Year of Measurement |
|----------------------|---------------|---------------------|
| Respondent 1 | \$1.25:\$1.00 | 2007 |
| Respondent 2 | \$2.33:\$1.00 | 2003-2005 |
| Respondent 3 | \$2.47:\$1.00 | 2007 |

Some companies also indicated that they had measured ROI on a single wellness component. The following chart summarizes the range of measured ROI for individual wellness components.

| Wellness Component | Range of Measured ROI |
|--------------------|--------------------------------|
| Disease Management | \$1.25:\$1.00 \$4.50:\$1.00 |

With the numerous ROIs and methodologies that have been published it is easy to be skeptical of the validity of the measures. It is the belief of the Alliance that due to the lack of standardization among wellness programs, it is still very difficult to produce an objective ROI. As mentioned earlier, one goal of the Alliance is to provide standardization among wellness programs so that ROI can be objectively measured. Further, the Alliance firmly believes a fundamental issue with producing objectively measured ROI is the availability of large amounts of data which is provided by each of the founding member companies.

In 2009 the Alliance will launch an ROI Valuation modeler that will be able to calculate an estimated ROI for a given company's wellness program including individual components as well as aggregate program costs compared to other companies. The Alliance hopes that the modeler will become a tool that will be used by companies to prove that investment in a wellness program has a positive financial return and can help curb the rising cost of healthcare. Please indicate your interest to be considered for use of the premier launch of the ROI Financial valuation

modeler. Additionally your election to annually use the ROI Valuation Modeler tool will provide you several customized reports to help you plan further wellness program design. If you are interested please e-mail the Alliance at alliance@roiwellness.org.





CONCLUSION

As the database of the Alliance continues to grow, and standardization of technology and methodology is continually expanded, the credibility of the Financial ROI measurement of wellness programs will be accepted as objectively correct, thereby encouraging CEOs and CFOs to view the wellness expenditures as a true investment of company capital and a strategy for population health management of health care cost trend.