

The Economic Burden of Chronic Disease on Arkansas Employers

Chronic conditions caused by **modifiable** lifestyle behaviors increase utilization of health care services and place an economic burden on Arkansas employers. Chronic disease rates can decrease as individuals improve health behaviors through lifestyle behavior change. Employers are inherently concerned about their fiscal bottom-line, therefore they should seek savings in the cost of health care, costs related to employee absenteeism and presenteeism, and health-related workers compensation claims by investing in the health of their employees.

- **U.S. spends \$2.2 trillion on health care annually**
- **.75 cents of every dollar is spent on managing chronic conditions**
- **One-third of the cost alone is due to obesity**

Two-thirds of the rise in health care spending is due to the rise in the treatment of chronic diseases. Many cases could be prevented. Most could be better managed.



Figure 1

- ✓ Higher health risk levels are correlated with higher health care costs.
- ✓ Low health risk levels are associated with lower health care costs.

A study conducted by the Milken Instituteⁱ reported that in 2003 over 1.7 million cases of the following seven common chronic diseases were reported in Arkansas. Expanding projections to 2009, Arkansans now struggle with 1.9 million cases of these common conditions (Table 1)ⁱⁱ.

All of these chronic conditions can be improved, if not eliminated, by individuals making healthier lifestyle choices. Employers should strive to be a part of the solution by encouraging healthy behaviors through healthy workplace environments and policies.

Reported Cases in Arkansas, (projected 2009 and as % of population)		
Cancers (all):	149,896	5.2%
Diabetes:	146,964	5.1%
Heart Disease:	249,276	8.7%
Hypertension:	470,771	16.5%
Stroke:	33,491	1.2%
Emotional Disturbances:	305,331	10.7%
Pulmonary Conditions:	542,322	19.0%

Table 1

Why worksite interventions?

Because health care costs are high and continue to increase annually, employers can realize a substantial cost benefit if they can reduce employees' need for care by promoting healthy lifestyles and efforts to reduce and prevent chronic diseases.

For example, a 2007 studyⁱⁱⁱ conducted with the Arkansas State Employees and Public School Employees health plan has shown health care costs – through medical and pharmacy claims analysis - increased with age and were differentially higher for those who used tobacco, were obese, or were physically inactive.

Average Annual Total* Costs Linked to Normal Body Mass Index compared to Obese BMI by Age Groups

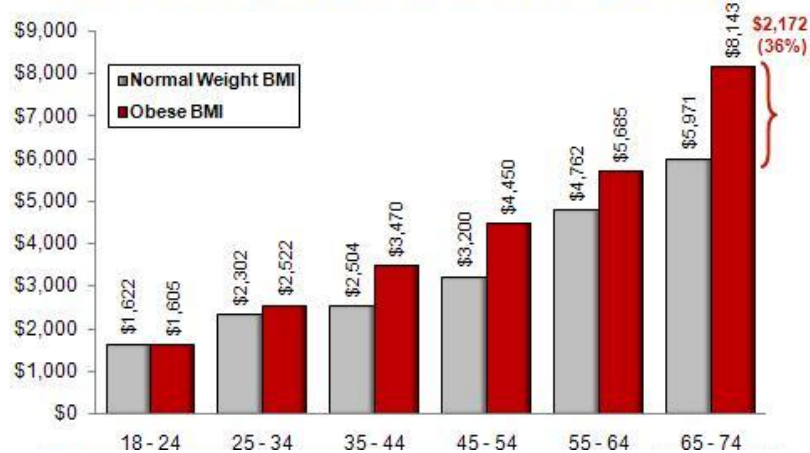


Figure 2

Specifically, the cost differential between obese and healthy weight individuals is approximately \$1000 per year higher for obese members in each age decade shown in figure 2 and over \$2000 more as individual's age into Medicare eligibility.

Looking specifically at diabetes as a chronic disease cost driver, the data in figure 3 show those individuals with diagnoses codes indicating diabetes incurred at least \$2500 more in annual medical and pharmacy claims costs compared to persons who do not indicate diabetes. More importantly the annual cost difference increases dramatically as one gets older - as seen by a difference of \$5600 at 65 years and older.

Average Annual Total* Costs Linked to Diagnoses Codes indicating Diabetes compared to members with No Diabetes Diagnoses Codes by Age Groups

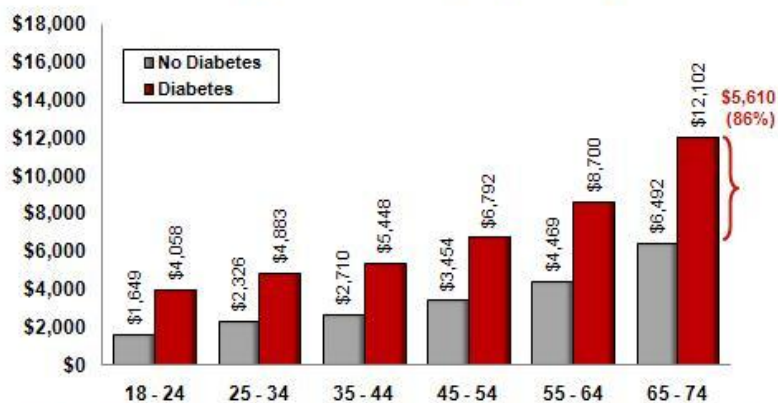


Figure 3

The Arkansas State Employees and Public School Employees health plan has used these study results to support a comprehensive weight management strategy, inclusive of educational and behavioral-change tools (e.g., health coaching, motivational interviewing, and continuous access to resources and follow-up assistance).

Why worksite interventions?

(continued)

Employees who are stressed, unhappy, and unhealthy are considered "high risk" because they have a significantly greater chance of becoming ill. When they do get sick companies suffer financially. If your workforce is healthy employees are much less likely to get sick and cost the company. Numerous employers have found that offering health and wellness programs to their employees leads to a long list of benefits such as:

- ✓ Retaining hard working employees
- ✓ Recruiting healthy, productive workers
- ✓ Reducing absenteeism
- ✓ Decreasing turnover
- ✓ Reducing health care benefit claims expenditures
- ✓ Decreasing workers' compensation claims expenses
- ✓ Reducing presenteeism
- ✓ Enhancing job satisfaction

In addition, good will and enhanced morale can be established by offering programs and services that improve quality of life for your work force.

The cost of lost productivity is a key factor for employers - as ill employees and their caregivers are often forced to miss work days (absenteeism) or show up for work but not perform well (presenteeism). Table 2 shows estimates of the economic impact in Arkansas on lost productivity^{iv}.

Economic impact in Arkansas, projected 2009 (Annual Cost in Billions)	
Treatment Expenditures:	\$3.65
Lost Productivity:	\$17.2
Total Costs:	\$20.85

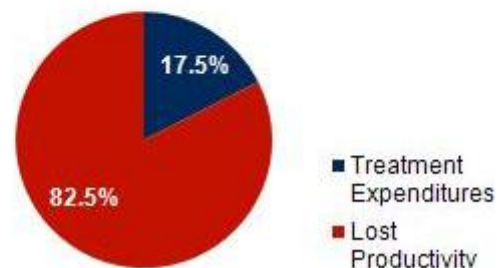


Table 2

Focusing on the health and productivity of the workforce will help employers realize significant gains over the short and long term.

Employer worksite policies to consider in your communities

- ✓ Vending, cafeteria, meetings, and pot-lucks standards
- ✓ Physical activity breaks throughout the workday
- ✓ Wellness days vs. sick days
- ✓ Coverage of US Preventive Task Force preventive services within benefit plans
- ✓ Value-based insurance design
- ✓ Health Risk Assessment, wellness programs, education and awareness

Why employers should attend the Worksite Wellness Summit

Employers often are unaware of successful worksite interventions that address chronic disease cost drivers within their employee population. The worksite committee of the Arkansas Coalition for Obesity Prevention (ArCOP) has compiled a comprehensive web-based clearinghouse/toolkit that will act as a resource for employers and human resource personnel. The resources will include a collection of best practice and evidenced-based worksite intervention programs that are proven effective for employers to model in their worksite. The resource will also teach employers how improving their employees' health will improve their bottom-line.

By increasing awareness of evidenced-based recommendations, employers or their designee will be able to begin implementing initiatives at their place of work with relative confidence in achieving a successful outcome.

How to recruit employers to the summit

The ArCOP Worksite Wellness Committee will work with you to make connections with your local Chamber of Commerce, Society for Human Resource Managers, and Municipal League if they haven't yet been developed. We would additionally encourage you to advertise the upcoming summits through:

- Local Kiwanis or Lions Clubs
- PTA
- Local newspapers and radio
- Word of mouth
- Better Business Bureau in the area
- Partners in the area such as Hometown Health units or local health departments
- Churches, faith-based organizations
- TV ads, billboards
- Invites mailed to area employers with the date and information about the upcoming summit

**** This article contains good small and large scale suggestions for employer wellness initiatives****



Corporate Fitness Programs Bolster Morale, Bottom Lines

By Susannah Patton - 2/8/2010

Healthy employees make for healthier balance sheets. That's been proven through various wellness programs at companies of all sizes that are quickly realizing an employee's weight loss can be their financial gain.

The Emory University Rollins School of Public Health found workplace wellness programs that include weight management interventions were successful in reducing absenteeism at Dow Chemical Co. Of those who participated in moderate to intense programs, the average number of workdays missed due to illness decreased from 3.9 days in 2006 to 3.4 days in 2007.

Businesses are increasingly launching wellness programs in order to reduce their health care costs and improve their bottom line.

According to the American Heart Association, 86 percent of companies with more than 50 employees offer some sort of wellness program.

Courtney Guppy, a senior consultant for Mercy Medical Center's benefits and wellness division, said the hospital makes healthy employees a priority. Mercy recently formed a wellness committee to come up with ideas to improve the health and well-being of its employees. The initiative fits with Mercy's sustainability goals, Guppy said. "The idea is to sustain our most valuable resources, which are our co-workers," she said. There's also the potential for significant cost savings to the hospital, in the form of lower health insurance premiums and reduced absenteeism among employees.

According to a recent study by Hewitt Associates, a company can expect to see a \$3 to \$6 return for every \$1 spent on wellness programs. A slightly less measurable benefit is the result of happier, healthier employees, which increases morale and productivity in the workplace.

"We see it as a long term investment in our people," Guppy said. Mercy has an ongoing healthy lifestyles program, in which employees earn points for participating in healthy activities, such as preventative screenings and exercise. At the end of each quarter, those points are converted into Mercy bucks that can be used in the hospital's gift shop and cafeteria.

This year, Guppy said, Mercy is taking its program a step further, with weight loss as its primary focus. Over 60 percent of the staff at Mercy falls into the overweight category, she said, prompting the wellness committee to design a three-phase "Get Healthy Challenge." In the first 12-week phase, employees will compete to achieve the highest percentage of weight loss. Each participant will put \$5 into a pool, which will be divided among four winners. In the second 12-week phase, employees who maintain or lose weight will be entered into a drawing for prizes. In the final phase, employees can earn up to \$500 depending on their starting body-mass-index and their level of weight loss at the end of 18

weeks. To help employees reach their goals, Mercy is providing healthier options in its cafeteria, conducting exercise classes on site and giving employees access to the hospital's Cardiac Wellness Center.

Guppy said the majority of Mercy's employees are women and many of them have children at home, making it difficult to exercise once they leave work. That's why she thinks it's important to provide employees with the tools to get fit and healthy at work. In addition to its weight loss program, Mercy just launched a tobacco cessation incentive for 2010. Employees that can prove they've quit using tobacco products at the end of the year will get a \$500 bonus, paid right before Christmas. While a cash bonus is certainly a good incentive, employees cite other reasons for participating in wellness programs.

According to a survey released by the Principal Financial Group, 28 percent of employees participate to receive incentives, 30 percent are motivated by reduced personal health costs, another 30 percent cite a greater chance for living healthier and longer lives as their primary reason for participating, and 28 percent participate for the benefit of reduced stress.

Employees at J.B. Hunt Transport Inc. are encouraged to participate in wellness programs in order to avoid health problems such as high blood pressure, diabetes, heart disease and high cholesterol levels. The company has been working with TrestleTree of Fayetteville since 2000 to provide health coaching to employees along with their health insurance plans. Spouses and children of employees are also eligible for the service. Employees nationwide can call in and discuss their particular health needs with a counselor. Employees also receive important information about weight loss, nutrition and disease management. The company's truck drivers are given tips for exercising and eating healthy on the road. Rick George, director of benefits for J.B. Hunt, said the company also put in a 1.1-mile walking trail around its main campus in Lowell as well as locker facilities and showers. "We have a lot of people that bike, run or walk during lunch," he said.

Two years ago, J.B. Hunt started a partnership with the Fayetteville Athletic Club. Four days a week, certified athletic trainers come to the campus and provide strength training and cardio and endurance classes during the lunch hour. The company set aside one of its training rooms for use as a fitness studio. "We've really grown the program quite a bit," George said. "We started at two days a week and that group just took off. "People were losing weight, people that had been on medications were able to get off those medications, we were seeing amazing results." The company also encourages its breakfast and lunch vendors to provide healthy options for employees. In addition, employees can attend monthly lunch workshops, organized by area hospitals, on topics such as heart disease, nutrition and stress management. George, who also works as a fitness instructor, said health and wellness is a priority in his own life and he wanted to bring that to J.B. Hunt. "It's my passion to make sure every day that we're thinking about wellness, we're thinking about how we can make our employees feel better," he said. "It really makes a difference in their lives, there are many positives around it."

One of those positives is the reduction in health care claims. "Overall wellness can help prevent future catastrophic claims, and that benefits both the company and the employee," George said. "Anytime that we can avoid those expensive claims, there's a cost savings and it's a win-win for both sides," he said.

Healthy Numbers

According to the Centers for Disease Control and Prevention, each year over \$33 billion in medical costs and \$9 billion in lost productivity due to heart disease, cancer, stroke and diabetes are attributed to

diet. If 10 percent of adults began a regular walking program, \$5.6 billion in heart disease costs could be saved.

According to the actuary firm used by the Arkansas Employee Benefits Division, insuring smokers costs an additional \$116 a month and for obese members is an additional \$55 a month. According to the American Cancer Society, medical costs decline by \$47 in the first year a smoker quits, and by \$853 more in the next seven years.

Employers with physical activity programs have reduced healthcare costs by 20 to 55 percent, reduced short-term sick leave by 6 to 32 percent, and increased productivity by 2 to 52 percent.

Source: Arkansas Health Department

ⁱ DeVol, Ross, and Armen Bedroussian, *An Unhealthy America: The Economic Burden of Chronic Disease*, Milken Institute, October 2007.

ⁱⁱ Arkansas Center for Health Improvement. 2009 Projections based on Milken Institute, October 2007 report.

ⁱⁱⁱ Arkansas Center for Health Improvement, Self-Reported Health Risks Linked to Health Plan Cost and Age Group. 2007 analysis.

^{iv} Arkansas Center for Health Improvement. 2009 Projections based on Milken Institute, October 2007 report.

PREPARED by: The Arkansas Coalition for Obesity Prevention, Worksite Wellness Working Group, March 2010.