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RESEARCH REPORT



The Truth About Health & Wellness: 5 Ways to Reduce Risk and Improve ROI

No matter how mature your employee health & wellness program is, there are key steps you can take to understand, measure and improve your level of success.

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OVERVIEW

At every stage of maturity throughout the lifecycle of wellness programs, employers and other plan sponsors are seeking answers to critical questions about best practices in health and wellness program delivery, return on investment and strategies for measuring success—particularly given today’s cost environment. However, finding the answers to these questions and creating a well-balanced health and wellness program has proven elusive.

With the goal of helping decision-makers better understand the elements of a successful health and wellness program, and to provide them with fact-based insights for their decisions, the Research unit of SourceMedia (publisher of *Employee Benefit News*) conducted a study with ActiveHealth Management. The study assessed trends in health and wellness adoption, surveying a sample of senior HR and benefits executives. The results reveal new insights and provide answers to those searching for ways to optimize ROI and implement successful corporate health and wellness programs.

ABOUT THE SURVEY

METHODOLOGY

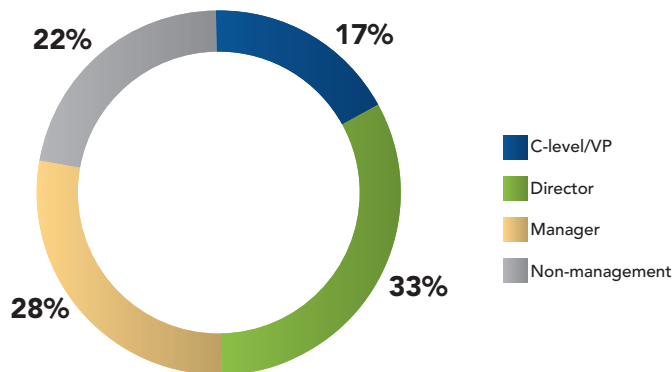
The findings presented in this report are based on an online survey conducted by SourceMedia Research in May 2013 among more than 400 decision makers in HR/Benefits and employee wellness roles at their companies. Sample was randomly drawn from the subscriber base of *Employee Benefit News*. Participants responded to questions about length of time implementing health and wellness programs, program delivery methods used, importance of employee health, effectiveness of health and wellness programs, metrics used to define success of their employee health and wellness program, and average financial ROI on health and wellness programs. The study relied upon a latent class analysis to generate the segmentation and the associated research findings.

RESPONDENT PROFILE

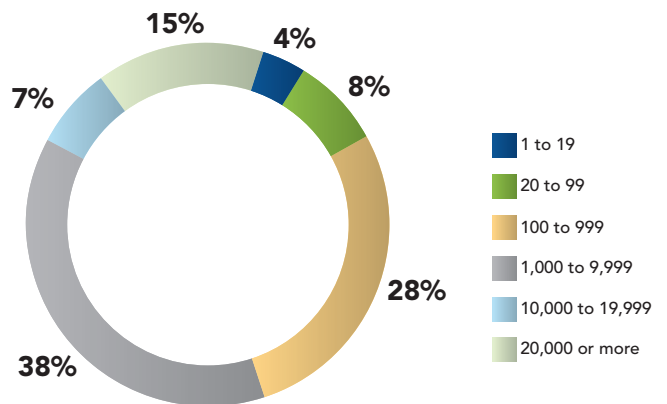
Among the 408 participants in the survey, 97% are from employer-sponsoring organizations and another 3% represent non-employer plan sponsors, including associations and unions. Two-thirds of respondents are employed in human resources or employee benefits roles, with 17% at the C-level or VP level within their respective organizations. Another 33% of respondents are directors, and the remaining 50% of respondents include managers or staff level professionals.

Respondents are employed at all size organizations with 12% in small companies (less than 100 employees), 28% in medium-size companies (100 to 999 employees) and the remaining 60% in enterprises with 1,000 or more employees.

Respondent Title



Organization Size



SEGMENTATION MODEL

The segmentation model referenced in this white paper is based on a latent class analysis used to find underlying (i.e., unobservable) groupings in the data. This model uses a statistical methodology to find relationships in the data such that within each latent class (i.e., segment), the observed variables are statistically independent. A specialized software package was used to generate the segments, focusing on the relationships between the execution strategy an organization uses to develop, plan and deliver its wellness plans as well as company ROI levels in their corporate health and wellness program investments. The optimal model revealed three segments and the output reported the probability of a response for each segment. The following are the nine observed variables in this latent class analysis:

- Company size
- Overall health and wellness of the employee population
- Length of time (years) implementing a health and wellness program
- Health and wellness delivery methods
- Execution approach (health and wellness vendor, health insurance carrier, internal resources)
- Metrics tracked
- ROI levels
- Importance ratings of employee health and wellness
- Effectiveness of health and wellness program (self-reported)

KEY FINDINGS

The main objective of the study was to answer key questions related to corporate health and wellness programs and program execution. Our conclusions point to a strong association between a company's strategic approach for developing, planning and delivering corporate health and wellness programs—whether partnering with a health and wellness vendor, using a health insurance carrier's services or doing it yourself (DIY)—and its overall program success (defined here as employer positive financial ROI and positive employee health outcomes). Our data also indicates that an employer's specific program delivery methods, program success measures used, commitment to employee health and wellness, and self-evaluation of program effectiveness are correlated to their strategic approach to program execution.

One of the key findings supports the assertion that a holistic, strategic approach to health and wellness is most effective. In this case “holistic” means looking beyond cost savings to also embrace member health outcomes. “Strategic” encompasses multiple dimensions: execution approach; choice of metrics for measuring program success; overall commitment to member health and self-evaluation of wellness program effectiveness; and program delivery methods used to engage employees.

The data found that companies that partner with a health and wellness vendor to help them develop, plan and deliver health and wellness programs have a higher return on their corporate wellness program investments. Companies with health and wellness vendor partnerships also share a number of similar characteristics. For example, their implementations generally include a more robust set of delivery methods to engage members, they track and measure program success using a more comprehensive set of metrics, and they are more committed to employee health and self-evaluation of their wellness programs.

Winning at Wellness



A balance between employee satisfaction and financial benefits is most effective.



A committed, hands-on approach is critical.



Active is better than passive in terms of program delivery.



Partnering with health and wellness vendors offers multiple benefits.

In order to gain actionable insights, data from the study has been culled to provide several best practices and strategies that employers may want to consider as they look to create new health and wellness programs or optimize their existing programs.

HEALTH AND WELLNESS PROGRAM EXECUTION STRATEGIES

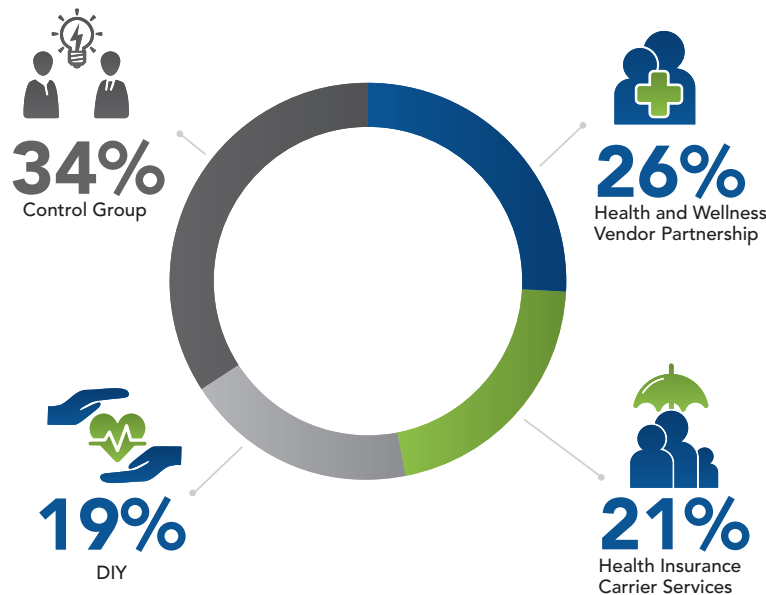
The starting point for any company considering a health and wellness program is its execution approach. Should a company partner with a third-party health and wellness vendor, use services from its existing health insurance carrier or rely on its own internal resources for a DIY approach? Employers may be faced with this decision at the outset when launching a new worksite health and wellness program for the first time, while others might need to reevaluate their approach with a longer-running health and wellness program.

To isolate and characterize groups of companies to understand their different strategic and tactical approaches to implementing their employee health and wellness programs, we identified the following three segments based on companies’ primary health and wellness program execution strategies:

- **Health and Wellness Vendor Partnership.** These companies predominantly partner with health and wellness vendors to execute their corporate health and wellness programs. This group represents 26% of all respondents.
- **Health Insurance Carrier Services.** These companies predominantly partner with health insurance carriers to execute their corporate health and wellness services programs. This group represents 21% of all respondents.
- **DIY Companies.** These “do-it-yourself” companies primarily rely on their own internal resources to execute corporate health and wellness programs. This group represents 19% of all respondents.

Another 34% represented a “control” group used for base-level comparisons.

Health and Wellness Program Execution Segmentation Model



In examining the execution strategies of companies based on their overall experience and length of time implementing health and wellness programs, our study shows that early-stage implementers, that is, companies implementing health and wellness programs for three years or less, tend to choose one of two execution strategies—either a health and wellness vendor partnership or using health insurance carrier services. Among the Health and Wellness Vendor Partnership segment, 62% are, in fact, early-stage implementers; 69% of Health Insurance Carrier Services segment are also early-stage companies. In contrast, “advanced-stage implementer” companies running health and wellness programs for more than three years, tend to opt for the DIY approach—nearly two in three companies in the DIY segment have advanced-stage wellness programs with 26% of these implementing programs for at least eight years.

MEASURING PROGRAM SUCCESS

Regardless of their experience in health and wellness program implementation, companies have struggled with measuring the success of their health and wellness programs, which may be too narrowly defined by more traditional financial cost savings. Among the different types of health and wellness metrics used by companies in this study, we observe that measurable success can be categorized in two ways:

Corporate financial savings and operational efficiencies, such as:

- Reduced premium costs
- Decreased turnover
- Increased productivity
- Decreased absenteeism
- Worker retention
- Workers comp

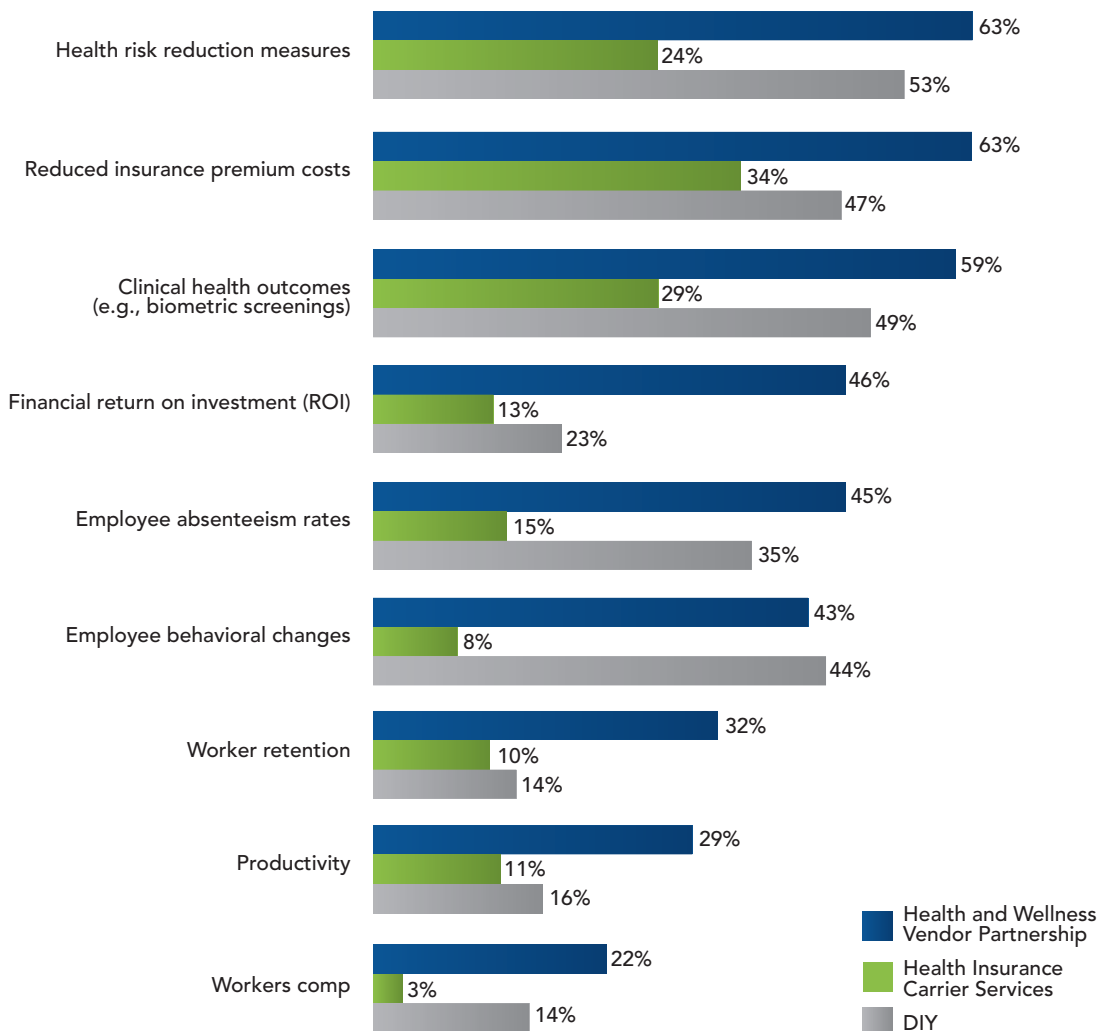
Employee health outcomes, such as:

- Clinical health outcomes (e.g., biometrics, etc.)
- Health risk reduction measures
- Behavioral changes

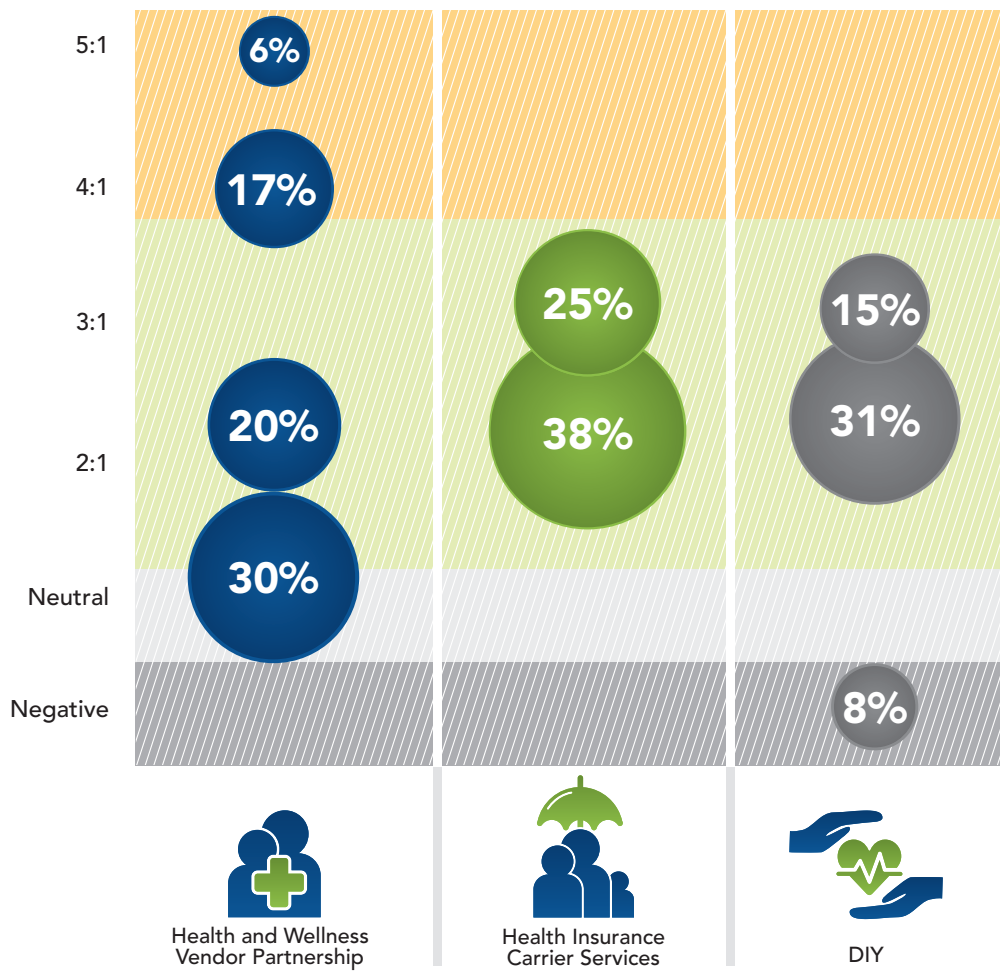
While all companies are focused on financial savings—most notably, reduced premium costs and operational efficiencies, employee health outcomes are equally important to some companies. This study affirms that a holistic approach to program outcome measurement, incorporating both corporate financial savings and employee health outcomes, rather than narrowly focusing on cost savings alone, actually achieves superior results.

Among the three segments, we found that those in the Health and Wellness Vendor Partnership category are much more engaged in tracking health and wellness program outcomes. Companies in this segment consistently track all metrics—including both corporate financial and employee health outcomes—at a higher rate than companies in the other two segments.

Health and Wellness Metrics by Segment



Health and Wellness Program ROI by Segment

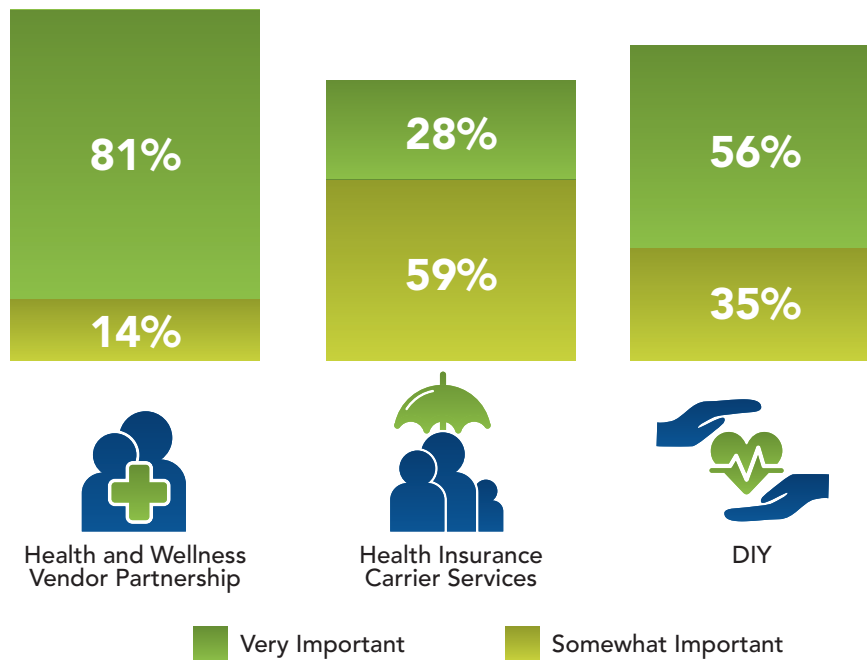


COMMITMENT AND SELF-EVALUATION OF HEALTH AND WELLNESS

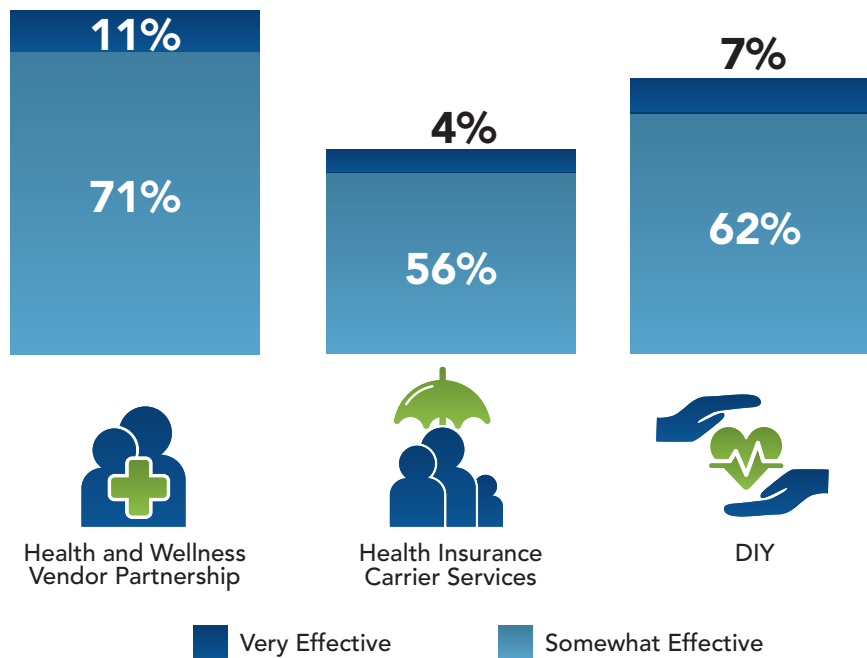
Next, we found that a company's overall commitment and self-evaluation of their corporate health and wellness program is a serious element in developing a health and wellness program strategy. "How important is health and employee health to our organization, and how effective is our health and wellness program?" are the questions that companies with successful health and wellness programs are asking. How committed a company is to health and wellness can be measured in several ways, and these metrics have interesting associations with execution strategy and thus overall program success:

- A majority (81%) of the companies in the Health and Wellness Vendor Partnership segment report that employee wellness is very important to their organization. However, only 11% of this segment self-reports that their wellness programs are very effective.
- In the Health Insurance Carrier Services segment, 28% indicate that employee health and wellness is very important to their organization, while 4% self-report their programs are very effective.
- In the DIY segment, 56% indicate that employee health and wellness is very important, and 7% self-report that their programs are very effective.

Importance of Employee Health and Wellness Programs by Segment (% of respondents)



Effectiveness of Employee Health and Wellness Programs by Segment (% of respondents)



HEALTH AND WELLNESS PROGRAM DELIVERY METHODS

Engaging employees in a corporate health and wellness program is linked to overall program success, and thus tactical delivery methods are a key consideration. When we examined specific delivery methods, we found companies could be categorized into two discrete groups:

- Companies that primarily rely on passive activities, such as guest speakers, promotional materials, seminars and self-education to deliver their programs.
- Companies that, in addition to implementing passive activities, emphasize more active methods, such as social media, mobile apps, online help and training, and mobile device support (i.e., pedometers that link with online data centers).

Health and Wellness Delivery Index

	Health and Wellness Vendor Partnership	Health Insurance Carrier Services	DIY
Health coaching (online)	53	29	44
Mobile apps	24	6	14
Mobile monitoring devices (uploadable	20	8	23
Patient-specific health website	28	15	19
Social networks	17	0	11
Trackers	39	5	21
Challenges/competitions	53	32	61
Health coaching (telephone)	70	44	47
Nurse help line	53	45	53
Guest speakers	30	19	51
Health coaching (onsite)	28	18	37
Health promotional materials	84	65	82
Onsite classes, seminars, group activities	57	32	74
Self-help education materials	61	56	75
General websites with health advice	71	48	61
Patient advocates	14	16	28
Don't know/Not sure	0	5	0
TOTAL ACTIVITY SCORE	702	438	701
ACTIVE INDEX SCORE	40 ◀	20	33
PASSIVE INDEX SCORE	49	36	58
HEALTH AND WELLNESS DELIVERY INDEX	80.5 ◀	56.3	55.9

To quantify the overall usage of health and wellness delivery methods and provide a relative comparison of the types of methods used across the three segments, we created a Health and Wellness Delivery Index. Using this index, we first examined the aggregate total of all delivery methods employed using a Total Activity Score to compare the breadth of activities used to deliver wellness. The DIY and Health and Wellness Vendor Partnership segments' relatively high scores of 701 and 702, respectively, indicate that both segments promote a similarly high number of activities in their worksite health and wellness programs. In contrast, the Total Activity Score for Health Insurance Carrier Services is only 438, indicating that these companies offer significantly fewer health and wellness activities to engage employees.

In addition to the breadth of health and wellness activities, the index also compares the relative emphasis of active versus passive activities by companies in the three segments, showing that the Health and Wellness Vendor Partnership segment is more likely to engage its employees in active methods when delivering corporate health and wellness programs.

The overall Health and Wellness Delivery Index Score is positively correlated to the use of active delivery methods—that is, the higher the overall index score, the greater the contribution of active delivery methods to the total health and wellness program. Thus, an overall index score for the Health and Wellness Vendor Partnership segment of 80.5 suggests these companies are much more likely to deploy a larger array of active delivery methods compared to DIY Companies and Health Insurance Carrier Services segments, which have much lower index scores of 55.9 and 56.3, respectively.

Companies should offer a comprehensive delivery program that includes methods beyond passive activities. In general, incorporating more delivery options that are active is likely to result in more effective programs.

5 STEPS TO HOLISTIC HEALTH AND WELLNESS MANAGEMENT

Companies in either early or advanced stages of their health and wellness implementations need to focus on execution. Execution has many dimensions and can involve active versus passive delivery options, an overall commitment to health and wellness and differing methods of measuring program success. Ultimately, when it comes to executing on health and wellness programs, a company has to make an important choice: Rely on its own internal resources, use its existing insurance carrier, or partner with a third-party health and wellness provider.

How can you go about optimizing the health and wellness of your population, cost savings and ROI? We suggest five essential steps to success:

- 1. Think holistically.** Employee “Wellness” is just one piece of a larger puzzle. To realize the greatest impact from both long-term employee health and cost-savings (and therefore ROI), look at your entire member population holistically. And recognize that health and wellness programs extend across a continuum of possibilities, ranging from: Prevention to disease management; in-person assistance to online and phone coaching; self-service to acute medical care; and more. Taking this view will enable you to apply wellness strategies, programs and best practices where they will yield the best results - both financially and in terms of employee population health.
- 2. Benchmark.** Before you can chart the best course forward for your organization, you need to know where you stand. This means getting meaningful insight on key population trends, relative wellness metrics for your industry and member mix and risk, and accurate cost and ROI measurements. This will enable you to form a balanced “benchmark” to compare to other similar populations, and serve as a “before picture” for your own desired future state.
- 3. Develop a population health plan.** Based on a holistic view, and using your benchmark as a starting point, develop an integrated plan that sets targets for improvements in the key metrics identified - overall population health, specific trends, cost-savings and expected ROI. Also, ensure you set goals for highly individualized, guided health improvements that engage employees across your population.
- 4. Determine the best path forward.** Deciding whether to develop your own DIY approach, use the services of your existing insurance carrier, or partner with a health and wellness vendor is the most fundamental decision you will face through this process. In terms of financial goals, companies with the highest ROI for their programs were most likely to be those who partnered with an integrated health and wellness vendor, as indicated by the research findings. But, insurers, too, know how to cut costs via managed care programs. The choice becomes much clearer if your goals for program success are based not just on financial returns, but also on the positive health outcomes of your population. The right partner can help you improve the overall health and wellness of the population, increase productivity while simultaneously providing cost savings and better ROI.
- 5. Choose the right partner.** If you take the wellness vendor route, you need to choose the right partner, as not all vendors are created equal. Be sure to select a partner who can:
 - Monitor the entire population while delivering services that are individualized to each employee.
 - Deliver integrated solutions along the health continuum matched to your organization’s goals and specific requirements.
 - Transform population data into useful insights.
 - Demonstrate proven results from other organizations they have worked with.
 - Serve your organization today and evolve as needs change.

ABOUT ACTIVEHEALTH MANAGEMENT

ActiveHealth Management is passionate about improving quality of care, reducing costs and saving lives. Our suite of population health management services span the continuum of health needs, from pre-life to end of life - including Wellness, Care Management, Compassionate Care, Member Engagement and Communications and Reporting and Analytics.

We employ a consultative approach to ensure that we understand the unique needs, of your organization and your employees. We help businesses grow and flourish with a flexible solution suite that's adaptable to meet evolving needs. We can help you:

- Enhance and empower individuals in better health and wellness
- Improve the quality of care
- Enrich clinical decision making
- Lower health care costs

Find out more: www.activehealth.com

A PERSONALIZED APPROACH TO HEALTH AND WELLNESS

- Move your population – and your strategy – to greater impact across the care continuum with our integrated Health and Wellness solution. With a focus on creating a valuable connected experience for each individual.
- ActiveHealth delivers personalized engagement and support to help every person realize a successful journey to better health. Our Health and Wellness solution features:
 - A multi-touch, multi-modal engagement platform: engaging individuals how, when and where they want
 - Personalized roadmaps to better health: creating a customized experience for patients to engage and improve their health
 - Integrated, innovative tools and resources: from mobile apps to on-site coaching, ActiveHealth Wellness offers something for everyone to engage and improve their health
 - Patented technology powered to deliver a 360° approach to wellness

ABOUT SOURCEMEDIA RESEARCH

SourceMedia Research provides full custom B-to-B research solutions for marketers, agencies, and others targeting business sectors such as banking, payments, mortgage, accounting, insurance, HR/employee benefits, and investment advisor/wealth management. SourceMedia Research is a unit of SourceMedia Inc., whose B-to-B media brands include American Banker, The Bond Buyer, Financial Planning, Accounting Today, Employee Benefit News and Mergers & Acquisitions. SourceMedia Research can effectively reach upper-level/C-suite business decision makers (BDMs) and technology decision makers (TDMs) in the U.S. through access to its large proprietary opt-in databases and research panels. Our experienced research staff and subject matter experts provide customer-focused quantitative and qualitative research solutions and market insights to support strategic and tactical decision-making, product development, demand analysis, thought leadership, and market positioning programs.

ABOUT SOURCEMEDIA

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