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As seen in



News

Monday, August 1, 2005

Companies step up wellness efforts

Rising health costs provide incentive to promote healthier employee lifestyles

By Julie Appleby
USA TODAY

BIRMINGHAM, Ala. — To get a glimpse into the future of the battle against rising health care costs, spend a day at American Cast Iron Pipe Co., where molten iron is cast into 5,000-pound pipes.

Next door to the machine shop, workers in the company fitness center run on treadmills, do yoga or lift weights. Others stop by to weigh themselves on a giant scale in the gym's lobby. Across the parking lot, employees and their families head into the company's full-service primary care clinic for doctor or dentist appointments.

Health consciousness so pervades the ACIPCO culture that employees proudly compare cholesterol levels and weight-loss efforts. Those who keep their results within healthy levels qualify for an annual bonus.

Blacksmith Leo Nabors had slightly high cholesterol when he began

exercising in the company gym in 1996, and could only do about 15 minutes in an aerobics class before tiring. But he became so much of a regular at the gym that he now teaches an aerobics class one day a week, and his cholesterol is down.

"You get so much from working out that money can't buy," says Nabors, 51. "You can buy medicine, but not health."

Employers nationwide, stung by five years of health care costs that have grown at several times the rate of inflation, are searching for ways to slow spending increases. Three-quarters of the 150 top executives at large U.S. firms surveyed by PricewaterhouseCoopers this spring say they may raise worker payments for health care. But a growing number also want employees to take more responsibility for both costs and health choices. Eight of 10 in the survey said the best option for reducing costs is financial incentives to encourage healthier lifestyles.

"Employers can't afford for employees to make unhealthy choices. It hits them on the bottom line," says Sue Willette at Mercer, a benefit consulting firm.

About 41% of companies have incentives aimed at encouraging

healthy behavior, up from 34% in 1996, according to benefit firm Hewitt Associates. For some, that may simply be passing out health brochures and testing blood pressure at annual health fairs. At others, it is a health-risk assessment that employers ask workers to fill out. Some use the results to steer at-risk workers to special diet, exercise or disease-management programs.

While improving health is something few take issue with, some say the workplace wellness movement could eventually go too far.

"Where we're headed is essentially lifestyle monitoring," says Washington, D.C.-based privacy consultant Robert Gellman. While many of the programs are well motivated, he wonders where the line will be drawn. "Are you not allowed to ride a bike or a motorcycle or sky-dive?"

Employers already can impose such requirements as wearing seatbelts in company cars or not smoking anywhere on a work site.

"Who is going to pay your health costs if you get sick?" asks Dee Edington, director of the Health Management Research Center at the University of Michigan, who has studied and helped develop wellness programs for 25 years. "A company does have a right to protect its investment to some extent. Research has shown that healthy employees make a significant contribution to lower health care costs and higher productivity."

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On-site gyms benefit both workers' and companies' bottom lines

Medical clinics at work

With its on-site medical center and gym, American Pipe is in the vanguard of employer efforts to promote wellness and health care.

Fewer than 5% of workplaces have on-site gyms, says Joe Marlowe of Aon Consulting. Even fewer have on-site primary care clinics.

But Marlowe and others say they expect to see growth of on-site medical clinics in the next five years as employers look for ways to lower their health care costs. If workers can have minor problems dealt with in-house — and get access to preventive services and monitoring of chronic conditions without having to travel to doctors' offices — companies can both save money and reduce absenteeism.

Prevention programs will be key.

"Employers are looking for any possible way to get a handle on cost increases, which often leads to discussion of getting at the root cause of the cost increase," says Marlowe. "A large percentage is from unhealthy lifestyles leading to chronic illness."

At Pitney Bowes, based in Stamford, Conn., workers can participate in a "Health Care University," which offers various health programs to earn points toward lowering the amount they pay toward their health insurance. The company has medical clinics at many of its sites, promotes exercise, offers healthy food at lower costs than unhealthy choices in its cafeterias and has disease-management programs for workers with chronic conditions.

It lowered the amount workers pay

toward certain types of prescription drugs, such as those to treat asthma or diabetes, to encourage using the drugs to prevent conditions from worsening.

The payoff for the company: Participating workers' health care costs run 10% below costs for non-participating employees.

"There's a lot employers can do to improve employees' health and therefore influence both health care costs and workforce productivity," says CEO Michael Critelli.

In June, Pitney joined 18 other companies and the Partnership for Prevention to encourage Fortune 1,000 companies to consider making workforce health a CEO issue and adopt strategies to promote prevention and wellness.

"We've got to create a culture in which healthy employees and families are valued," says Critelli. "It does start with the CEO."

At present, most such programs are voluntary and come with some kind of incentive to get workers to fill out questionnaires. Incentives range from \$25 gift cards to substantial reductions in the amount workers pay toward their own health care.

"You have to have incentives," says Michelle Kirby, vice president of people and culture at Texas Health Resources, a 13-hospital chain based in Arlington, Texas, that recently launched a wellness program. "It doesn't appear to be enough to say, 'This is your life and you only have one shot at it, and if you don't do this, you'll die early.' That just doesn't work."

Wellness plans return \$3 for every \$1 spent

Exercise programs. Health risk assessments. Telephone wellness "coaches." Many employers are considering offering wellness and prevention programs such as those, but the question remains: What's the return on investment?

Dee Edington, director of the Health Management Research Center at the University of Michigan, says a return of \$3 for every \$1 invested is an average widely accepted by researchers.

To slow the growth of spending on health care, Edington says, a company needs to get an 80% participation rate. To get there, he recommends offering employees financial incentives of at least \$200.

At Pitney Bowes, which has had wellness programs since 1991, CEO Mike Critelli estimates a \$1 million annual savings in just asthma and diabetes costs. The company's overall increases in health spending run lower than the industry average year after year, he says.

But Critelli tells employers not to expect instant results. "Most of these programs do not pay off in the year you implement them. They pay off in the next year or year after."

HCA, the nation's largest hospital chain, analyzed its health costs, then targeted obesity in 2001 and 2002 as a key area for wellness efforts. Participating workers were encouraged by a telephone health-coach program run by Gordian

Workplace physicians

Just past one of the two main gates into American Cast Iron Pipe Co.'s foundry, a visitor sees a modern, two-story brick building emblazoned with a sign: ACIPCO Health Services.

At the reception desk just inside the front door hangs a picture of company founder John Eagan, a religious early-20th-century industrialist who believed that the Golden Rule could be applied to business. He opened the foundry's first on-site health clinic in 1915 and a dental clinic the following year. After he died in 1924, all his company stock was put into a trust for employees.

The company, which has been named by Fortune magazine as "one of the 100 Best Companies to work for in America" nine times in a row, provides medical coverage for 8,800 people, of which 2,400 are active employees, 1,200 are retirees and the rest are dependents.

The 36,000-square-foot clinic, which handles 200 medical visits and 70 dental visits a day, has six full- and part-time doctors on staff, including two pediatricians, five dentists, 12 nurses and four pharmacists, who last year filled 124,367 prescriptions. ACIPCO workers don't pay anything out of their paychecks for health insurance, but they do pay \$10 for a doctor visit and 25% of the cost of prescriptions. They can also go to doctors in the community, but then they pay a percentage of the cost rather than \$10.

If they are injured, either on the job or outside, they can get physical therapy at the on-site clinic and at the gym.

Rebecca Kelly, the company's wellness coordinator, says that after the company brought its physical therapy services in-house in 2000, it cut costs in half while doubling the number of participants.

The clinic is also where company employees go if they want to participate in the firm's WellBody Club. The voluntary program attracts nearly 70% of the foundry's employees, who roll up their sleeves once a year to be tested for cholesterol levels, blood pressure and body fat.

Those who participate can earn annual bonuses of \$10 to \$200 depending on which of four health tiers they achieve. To score in the top group, Club 200, a worker's cholesterol has to fall within good ranges, his or her blood pressure must be 130 over 80 or less and he or she has to exercise at least three days a week. No smoking.

Employees who improve their health status and rise into the top level cost the company 20% less than those in the lower tier, resulting over nine years in savings of \$2million, the company says.

Lower health costs

Sometimes even incentives are not enough. Often, what motivates an employee is bad news.

Late last year, 48-year-old David Hensley saw his doctor at the foundry's on-site medical clinic, who told him he was diabetic and had some problems with his liver.

"My doctor said you've got two choices: Take insulin or lose weight,"

Health Solutions to exercise and eat better. Workers who finished the program got a \$116 cash bonus.

When comparing the participants with a similar group of non-participants, medical claims for participants were far less, resulting in a return on investment of \$2.76 for every \$1 HCA spent, according to an analysis by Gordian.

'Worth every dime'

At Texas Health Resources, which runs 13 hospitals in Fort Worth and Dallas, workers can earn points for participating in disease-management programs, getting medical screening and exercising. Workers can use the points to save up to \$260 a year in health insurance costs.

In the first year of the program, launched in 2004, about 30% of the company's workers filled out the health-risk questionnaire. Of those, 48% earned enough points to qualify for a cut in their insurance costs. After a year, the company's overall health costs decreased by 1.4% per employee, says Michelle Kirby, vice president for people and culture.

What's more, participating employees flagged as "at risk" lost weight, reduced their blood pressure and cholesterol and increased their physical activity.

"The bottom line for us is to try to keep that 80% of workers who are healthy, which means they have low medical claims, from moving into that high-dollar category," Kirby says. "We spent \$100 million on medical care. We spent \$500,000 on this program. It was worth every dime."

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Hensley, a painter at the foundry, recalls.

So, although he had walked past the fitness center for years, Hensley became a dedicated participant, hitting the treadmill five days a week and watching what he ate. In June, he was named "Mr. Extreme Makeover" in a company contest, walking away with \$200 after losing more than 18 pounds and 8% of his body fat.

"I can't afford not to go," says Hensley of his daily trip to the gym. He now has the blood sugar of a non-diabetic.

For Dwight Wilson, the bottom line is to avoid a medical fate to which in years past he might have been consigned by genetics or lifestyle: His mother and two brothers died of complications from diabetes.

"That's what keeps me motivated," says the 50-year-old Wilson, a sandblaster at the foundry who has kept his diabetes in check for 10 years by avidly participating in the foundry's wellness, nutrition and health programs.

For ACIPCO, Wilson is one of the success stories.

While the average employee who has had diabetes for more than nine years cost the company \$14,602 annually, Wilson's total last year was \$1,600, less than the average non-diabetic worker.

The diabetes program is just one of many health efforts the company is making — ranging from handing out 700 pedometers last year to encourage walking, to launching a diabetes-prevention program this month aimed at helping up to 400 workers with pre-diabetes avoid developing the condition. The company says such efforts have allowed it to continue offering health insurance to workers for no monthly charge out of their paychecks, putting it among only 4% of large employers that do so.

This year, ACIPCO expects to spend \$3,450 for a single employee and \$8,940 per family for all medical, dental and wellness programs. It spends another \$266 per employee for the on-site gym and bonuses to

workers who keep their blood pressure, cholesterol and weight within healthy limits.

By comparison, the average cost to employers in the South for an HMO policy last year was \$3,479 for a single employee and \$9,621 per family, according to an annual survey of employers by the Kaiser Family Foundation, a non-partisan research organization. Those costs generally do not include wellness or fitness programs.

"We spend approximately \$600,000 a year for wellness," says ACIPCO's Kelly. "We save almost \$1.2 million, when you document savings in productivity, health care costs and the onset of chronic illness. Moreover, these programs have enhanced individual quality of life at our organization, which means a lot. It really is worth it."