

Improving Health Outcomes in 2010

Results from the Joint National Business Group on Health/
Fidelity Investments Survey

Companies continue to pour millions of dollars and human capital into health improvement plans, yet very little is known about what actually works. Attempts to engage employees with tools, resources, and programs to take action to better their health decisions and improve overall health outcomes have not often resulted in consistent or positive change, leaving employers wondering what to do next.

Last fall, the National Business Group on Health (NBGH) and Fidelity Investments surveyed employers to identify key trends and issues in health improvement. With the potential for large increases in health care premiums on the horizon, employers need to maximize their health management strategies and tailor health improvement programs to meet the needs of their unique employee populations.

Strategic Investment in health improvement programs P. 3

Most companies sponsor an average of 21 health improvement programs—and continue to invest.

Engagement P. 7

Employee engagement can help reduce the number of health claims, yet for many organizations, it remains a challenge.

Measurement P. 9

Many companies don't measure health program effectiveness and need assistance in measuring their success.

Summary P. 12

Health improvement programs need clear program goals, increased employee engagement, and better ways to measure results.

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Employers continue to invest in wellness.

The research results presented in this paper identify three key takeaways that demonstrate the employer commitment to investing in ongoing wellness programs, while underscoring the need to better engage employees and implement meaningful measurements for their wellness initiatives.

Employers need to adopt a more strategic view toward health improvement programs

- Today, employers invest in numerous health improvement programs through multiple vendors.
- Yet, they often do not realize the extent of their investment. On average, they spend approximately 1.8% of claims on health improvement programs.

Effective employee engagement will lead to better utilization and outcomes

- To reach employees, employers use multiple communication channels and 57% use at least one type of incentive.
- However, employee engagement remains a challenge.

Improve your return on investment by measuring results

- Only a third of employers have measurable goals/targets for their health improvement programs.
- 59% of employers do not know the return on their investment.

About the survey

The survey was sent to select Fidelity clients and NBGH member companies in September 2009 and was completed by 121 employers. The respondents were asked questions related to their company's health improvement programs that covered a number of areas, including: a) costs, b) prevalence of programs, c) goals, assessments, and challenges, and d) communication, incentives, and outcomes. Survey findings were supplemented with additional market data on program costs to develop a separate estimate of how much employers are investing in health improvement initiatives. This separate analysis, conducted by Fidelity Consulting Services during Q4 2009, is featured in this paper and was designed to help employers understand the cost of their own health improvement efforts.



What is the true cost of health improvement programs that employers choose to invest in?

Where can employers get the most bang for their health care buck—in condition management or in lifestyle and prevention programs? Employers are distributing their spend across a variety of interventions with an average of 19 health programs offered throughout the course of a year.

Companies surveyed offer the following four categories of health improvement programs: prevention, lifestyle, condition management, and communication/education. Many firms focus on condition (or health) management, and our survey showed that within this category 79%

invest in nurse/health coaching telephone services, 74% offer diabetes disease management, and 69% extend coronary artery disease (CAD), congestive heart failure (CHF), and Asthma disease management programs to their workforce. (See Exhibits 1 and 2.)

Exhibit 1: Average number of health improvement programs offered

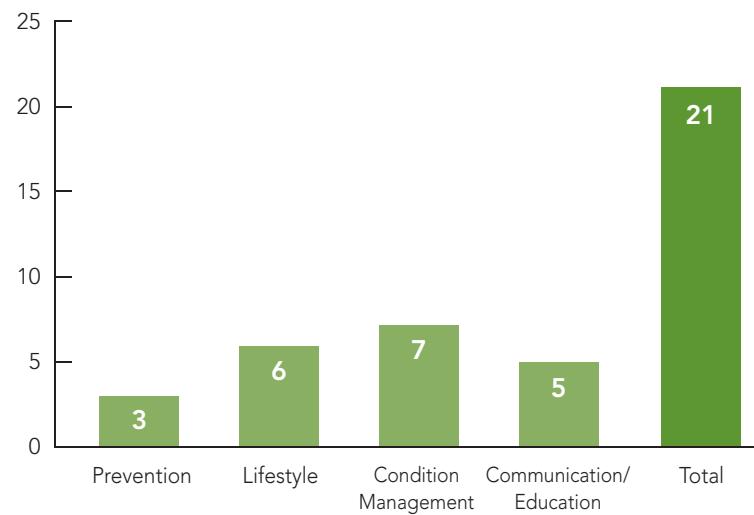




Exhibit 2: Top three health management programs in each of four main categories
Prevention

On-site flu shots (90%)
 Preventive care covered at 100% (78%)
 Preventive care reminders (68%)

Lifestyle

EAP (92%)
 Stress Management (68%)
 Smoking cessation (66%)

Condition Management

Nurse line (79%)
 Diabetes disease management (74%)
 CAD, CHF & Asthma disease management (69%)

Communication/Education

Company intranet or health/wellness Web site (83%)
 Health and wellness newsletters/brochures (72%)
 E-mails (71%)

Action steps to consider

- Understand how integration of health program elements can streamline communication and administration so the employee does not get “touched” by too many different people and can experience a more holistic view of their benefits offering.
- Monitor new offerings from external providers with an eye toward integrated services that meet the evolving needs of your diverse workforce.
- Pick a path and develop a strategy that's right for your business. Employers are spending roughly the same on programs that help maintain and improve health (Lifestyle + Preventive) vs. programs that help manage health after the onset of disease/illness (Condition Management). Understand your workforce and design a program that will optimize engagement and utilization.

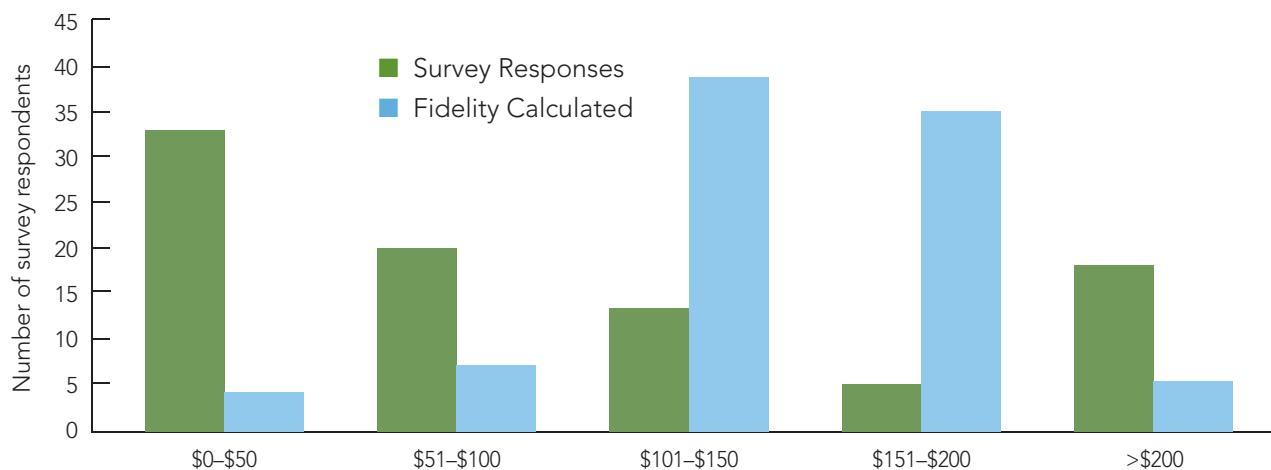


Spending on health improvement is often underestimated

Although most employers offer a bevy of health improvement programs, many employers are miscalculating the cost of their health improvement programs. When asked, "How much do you estimate you spend per employee per year (PEPY)

on all health improvement programs that you offer, excluding any incentive programs that you have?" few respondents accurately answered this question. Some 62% of plan sponsors underestimated PEPY and 19% of plan sponsors overestimated employer program costs. (See Exhibit 3.)

Exhibit 3: Estimated spend per employee per year (PEPY) on health improvement (excluding incentives)



Action steps to consider

- Establish a targeted spend, taking into account current claims data, clinical gaps, culture, and other factors.
- Develop an informed allocation of the investment by goals/tactics (e.g., increase physical activity/use incentives).



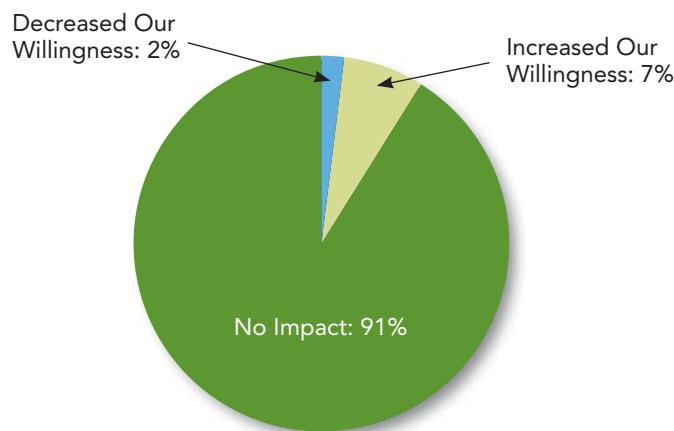
Our changing health care reform system

Regardless of health care reform efforts taking place in Washington, employers are continuing to invest in health improvement programs.

Some 91% of the respondents said that health

care reform efforts had "no impact" on their willingness to invest in health improvement programs. (See Exhibit 4.)

Exhibit 4: Impact of health reform on willingness to invest in health improvement



Action steps to consider

- Stay informed. Employers will continue to have a self-benefiting interest in the health of their employees (at a minimum, because of its impact on productivity).
- Health care reform may impact the type of programs employers invest in, but not their overall commitment to employee health.



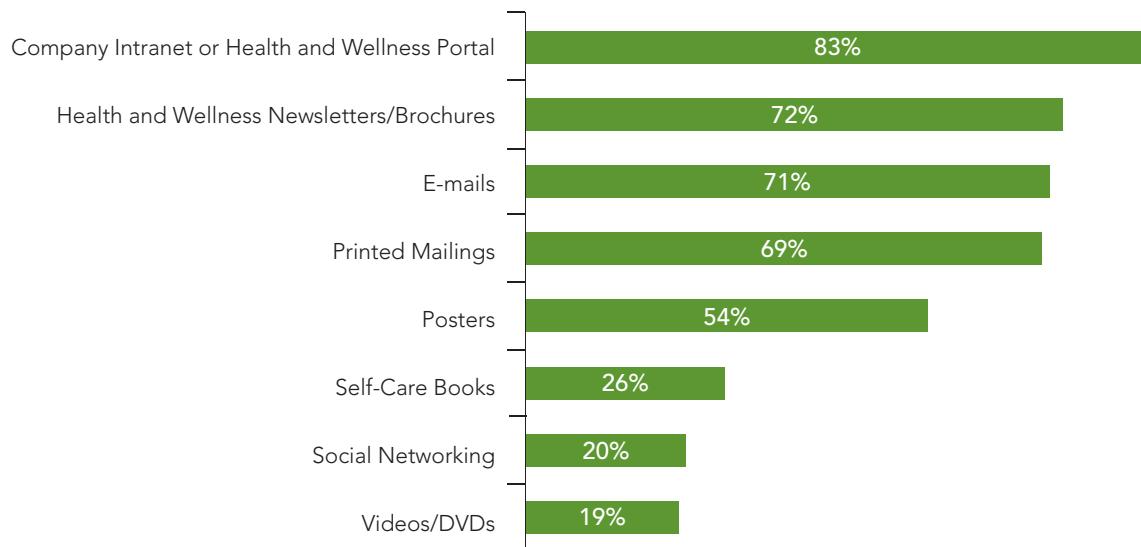
If engagement drives return on investment (ROI), then how do you best drive engagement?

To engage employees, employers are communicating through multiple channels (intranet, newsletters, e-mail, printed mailings, posters, self-care books, social networking, video/DVDs) and are using incentives to promote participation, which in turn impacts return on investment.

Because employee engagement is more of an art than a science, employers should try different ways to engage their employee population (along with adding clear program objectives and predetermined ways to measure the success of specific health improvement programs.)

The wide variety of channels utilized brings with it the benefits of the various delivery models, but also brings the potential risk of overwhelming employees. Sometimes, simplicity of message and tactic is the best formula for engagement. (See Exhibit 5.)

Exhibit 5: Channels of communications utilized to engage employees





Reduced premium incentives continue to drive engagement

Incentives come in all shapes and sizes and are most often used to promote participation in specific health improvement programs. The most common form of incentive offered was "reduced premium contributions." Other common incentives included cash, contributions to HRA/HSA and gift cards. (See Exhibit 6 and 6a.)

The rationale of investing in employee engagement is simply to help improve the health of your

employees. With a healthier workforce, you will generally have fewer claims. According to our recent research, companies are spending approximately 2% of claims on health improvement programs. This implies that companies must find a way to spend less than this 2% threshold just to break even. They need to know their aggregate spend on health care and industry benchmarks. As certain health care costs shift to employees, it is prudent to give them the tools and information they need to make health decisions and maintain a healthy lifestyle.

Exhibit 6: Value of incentives offered

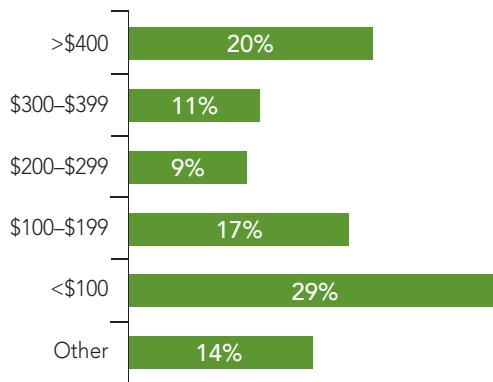
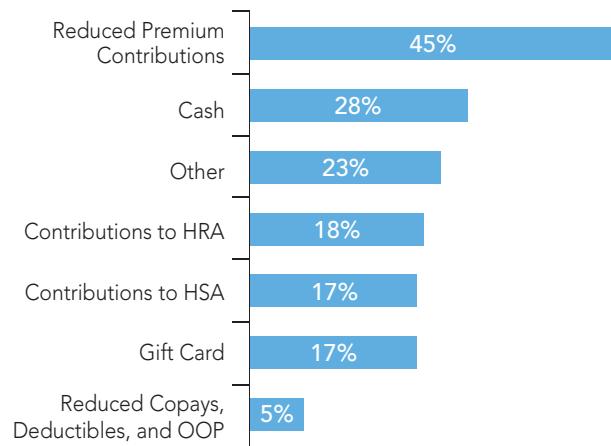


Exhibit 6a: Types of incentives offered



Action steps to consider

- Measure which communication channels are most effective and allocate resources accordingly.
- Experiment with targeted communication messages and incentives that drive positive action and are based on key areas of health improvement for your employee population.
- Survey employees to gain an understanding of their experience, and their perceptions of programs, incentives, and communications channels.



If measurement is so important, why do so few actually do it?

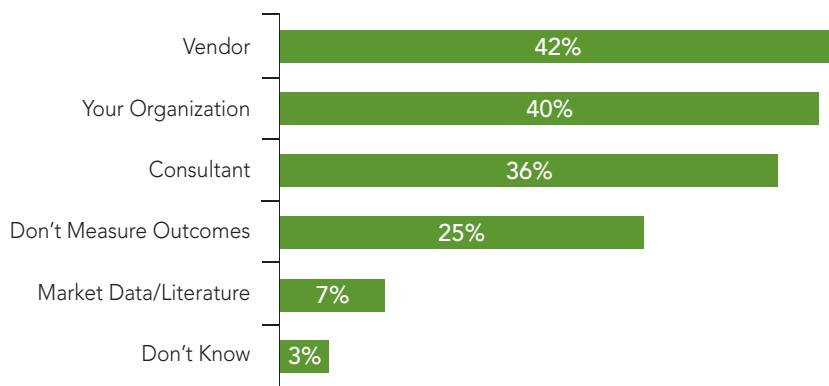
Amazingly, across corporate America most employers do not have measurable goals or clearly defined objectives for their health improvement programs. Everyone wants cost to go down and wants employees to be healthier. But only two-thirds of employers we surveyed have taken coordinated action steps to measure the effectiveness and efficacy of their health programs.

Who is responsible for actually measuring or proving outcomes?

To understand which health improvement programs are best suited to your unique employee populations, their effectiveness should be measured. There are a variety of ways to accomplish this. Our survey indicated that 42% of plan sponsors

outsource measurement to an external vendor, 40% do it in-house, and another 36% hire an external consultant. Despite investments of millions of dollars in some cases, some 25% of respondents do not measure outcomes at all. (See Exhibit 7.)

Exhibit 7: Responsibility for measuring/proving health outcomes



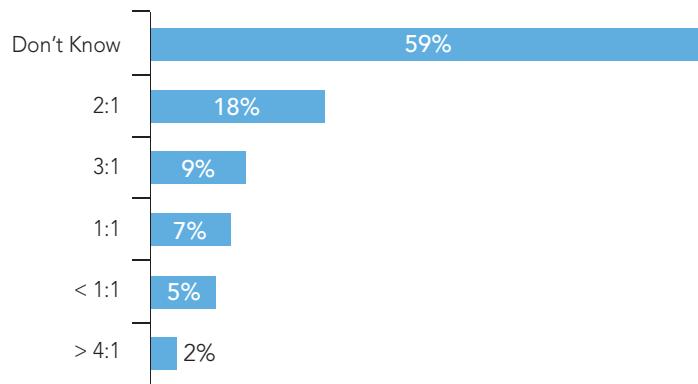


Most employers do not know their program ROI

Beyond measuring effectiveness, it is important to understand the return on investment (ROI) for strategic investments in health improvement programs. Positive results can justify future funding of health initiatives. Eighteen percent

of our respondents estimated that they received a 2:1 ROI on all health improvement programs. An estimated 3:1 ROI was achieved by 9%, and 7% indicated they broke even with a 1:1 ROI. However, we were surprised to learn that some 59% of respondents said they "don't know" the approximate ROI across all of their programs. (See Exhibit 8.)

Exhibit 8: Approximate ROI across all health improvement programs



Action steps to consider

- Establish goals across multiple categories and ensure that vendor reporting packages allow tracking of goals or reestablish a plan to capture the necessary data.
- Review ROI data provided by vendors and test for reasonability with other data points/metrics.
- Consider supplementing ROI with concrete indicators of health improvement (e.g., health screenings, number of emergency room visits).
- Understand the variables impacting ROI (e.g., turnover) and how they change over time.



Summary

As cost pressures continue to mount in a mixed economic recovery, employers need to move beyond cost shifting to lower their overall benefits spend. Today, senior managers need to apply more skill and direction in evaluating the effectiveness of their HR/Benefits initiatives as they develop health care plan design strategies and health improvement programs with a sharp eye on cost containment.

The potential for increases in employers' health care premiums will play a role in reshaping the future as it relates to employer-sponsored benefits. The results presented in this paper indicate the necessity for employers to fine-tune their strategic investment in health improvement programs by setting clear program goals, increasing employee engagement, and better measuring results.

To better understand how to navigate through the changing health care landscape, contact your Fidelity representative to arrange a meeting with Fidelity Consulting Services as you continue to explore:

- How to optimize your investment in health improvement programs
- Best practices for employee engagement
- How to measure the effectiveness of tools and technology designed to help employees make the right health care decisions
- How to design and implement health care cost containment efforts while still serving the needs of your changing employee population

Methodology for Estimating Spending on Health Improvement (HI) Programs:

- Survey data around prevalence of HI programs was used in conjunction with estimated cost data to calculate employer spending on HI programs.
- Costs were estimated based on market data collected from vendors, proprietary databases, and other sources
- Significant cost variations exist from one supplier of program/service to another, so judgment is applied to arrive at point estimate of costs.
- To calculate the percentage of spending on HI programs relative to total claims costs, the latter is estimated using survey data and other published resources.
- Actual claim costs vary from employer to employer for various reasons, including differences in demographics, geography, plan design, and health management effectiveness.

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