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What's the Hard Return on Employee Wellness Programs?

by Leonard L. Berry, Ann M. Mirabito, and William B. Baun

Since 1995, the percentage of Johnson & Johnson employees who smoke has dropped by more than two-thirds. The number who have high blood pressure or who are physically inactive also has declined—by more than half. That's great, obviously, but should it matter to managers? Well, it turns out that a comprehensive, strategically designed investment in employees' social, mental, and physical health pays off. J&J's leaders estimate that wellness programs have cumulatively saved the company \$250 million on health care costs over the past decade; from 2002 to 2008, the return was \$2.71 for every dollar spent.

Wellness programs have often been viewed as a nice extra, not a strategic imperative. Newer evidence tells a different story. With tax incentives and grants available under recent federal health care legislation, U.S. companies can use wellness programs to chip away at their enormous health care costs, which are only rising with an aging workforce.

[What Is Workplace Wellness?](#)

Government incentives or not, healthy employees cost you less. Doctors Richard Milani and Carl Lavie demonstrated that point by studying, at a single employer, a random sample of 185 workers and their spouses. The participants were not heart patients, but they received cardiac rehabilitation and exercise training from an expert team. Of those classified as high risk when the study started (according to body fat, blood pressure, anxiety, and other measures), 57% were converted to low-risk status by the end of the six-month program. Furthermore, medical claim costs had declined by \$1,421 per participant, compared with those from the previous year. A control group showed no such improvements. The bottom line: Every dollar invested in the intervention yielded \$6 in health care savings.

We've found similar results in our own experience. In 2001 MD Anderson Cancer Center created a workers' compensation and injury care unit within its employee health and well-being department,

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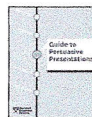
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staffed by a physician and a nurse case manager. Within six years, lost work days declined by 80% and modified-duty days by 64%. Cost savings, calculated by multiplying the reduction in lost work days by average pay rates, totaled \$1.5 million; workers' comp insurance premiums declined by 50%.

What's more, healthy employees stay with your company. A study by Towers Watson and the National Business Group on Health shows that organizations with highly effective wellness programs report significantly lower voluntary attrition than do those whose programs have low effectiveness (9% vs. 15%). At the software firm SAS Institute, voluntary turnover is just 4%, thanks in part to such a program; at the Biltmore tourism enterprise, the rate was 9% in 2009, down from 19% in 2005. According to Vicki Banks, Biltmore's director of benefits and compensation, "Employees who participate in our wellness programs do not leave." Nelnet, an education finance firm, asks departing employees in exit interviews what they will miss most. The number one answer: the wellness program.

To understand the business case for investing in employee health, we examined existing research and then studied 10 organizations, across a variety of industries, whose wellness programs have systematically achieved measurable results. In group and individual interviews, we met with about 300 people, including many CEOs and CFOs. We asked about what works, what doesn't, and what overall impact the program had on the organization. Using our findings, we've identified six essential pillars of a successful, strategically integrated wellness program, regardless of an organization's size. Passes to fitness clubs and nutrition information in the cafeteria are not enough, as you'll see.

 [The Pillars of an Effective Workplace Wellness Program](#)

 [The Study](#)

Pillar 1: Multilevel Leadership

It's easy to find employees who don't participate in wellness programs. Some cite lack of time, little perceived benefit, or just a distaste for exercise. Others don't know about available services or blame unsupportive managers. A few think their health is none of the company's business or mistrust management's motives. As with any worthwhile initiative, creating a culture of health takes passionate, persistent, and persuasive leadership.

The C-suite.

Although employee health correlates with financial health, workers won't buy into a program that's just about money. If the CEO makes time for exercise, for instance, employees will feel less self-conscious about taking a fitness break. When MD Anderson initiated its wellness program, president John Mendelsohn took walks throughout the building with wellness coach Bill Baun. For many, it was the first time the president had been in their work space or had shaken their hand, and he tended to start conversations with "How's your wellness?"

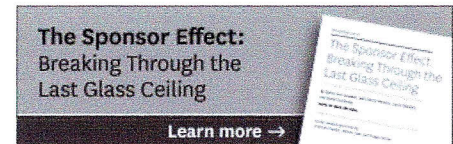
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