



THE HEART OF A HEALTHY WORKFORCE

Employer-sponsored health plans are key to economic prosperity



INTRODUCTION

The COVID-19 pandemic continues to dismantle the physical, emotional, and financial well-being of people around the world. Since the outbreak began in late 2019, the pandemic has disrupted global supply chains and tested the capacity of the American health care system, bringing 10 years of economic growth to a halt with alarming ease. The unprecedented human and economic impacts demonstrated the inextricable link between the health of the American workforce, the productivity of U.S. businesses, and the vibrancy of the economy.



With the availability of COVID-19 vaccines, a new day has emerged. As the working population begins to recover and protect itself from this devastating disease, it is critically important that employers view workforce health as a necessary and valuable investment and as the primary lever to jump-start a new and vigorous period of economic prosperity.

At the heart of a healthy American workforce are employer-sponsored health benefits. This paper will demonstrate the provision of health benefits through employers drives:



**Employee Health,
Engagement, and
Productivity**



**Corporate Performance
and Profitability**



**Economic Vibrancy and
American Prosperity**

Employers are a key driver of a healthy workforce

More than 180 million people—55% of the U.S. population—receive health benefits through employers.¹

Employer-Sponsored Health Plans Promote Individual Well-Being, Engagement, and Productivity

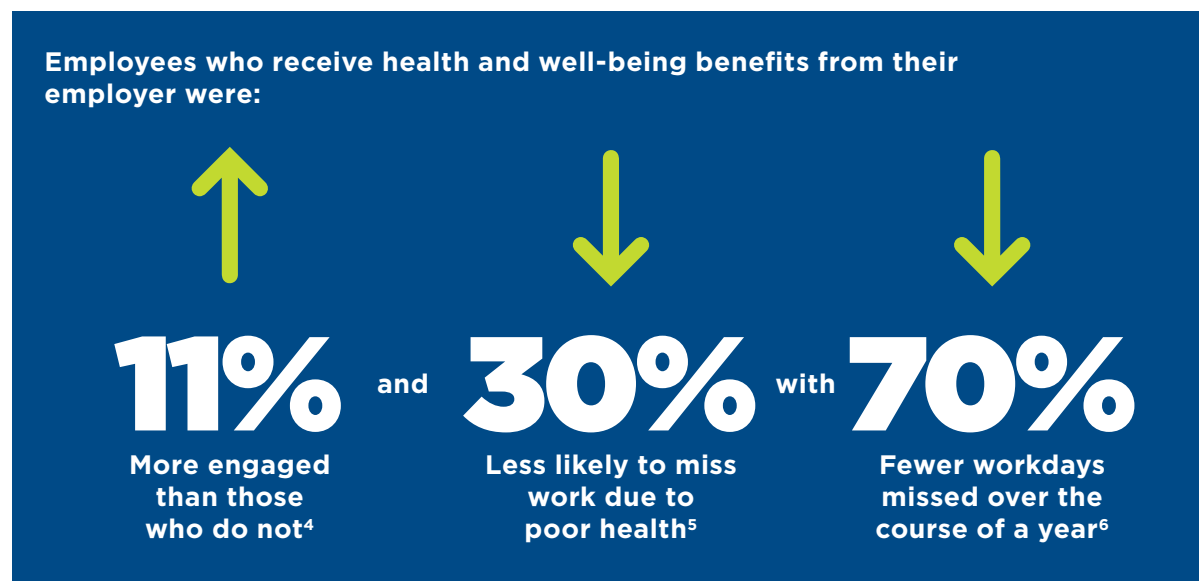
Employers are uniquely equipped to help make health and wellness a priority for employees. They create a shared culture and common purpose, and they provide the communication platforms, support tools, programs, and incentives that drive engagement and influence behavior. Employer-sponsored health plans provide the foundation for employers to harness this ability by providing a myriad of benefits for employees. Chief among them is access to affordable, innovative, and value-driven health services spanning physical and mental health. These health services enable employers to prioritize health in their culture, which helps drive engagement in individual well-being.



Health coverage should not only be used when employees become sick; it should also promote and protect the health of people who are well. The addition of wellness and prevention programs can help people maintain their health over time. For those who are at risk of developing chronic conditions, such as diabetes or heart disease, wellness programs can enable early intervention and offset more serious conditions, which often require more intensive and expensive care. Effective prevention programs that target weight management, smoking cessation, and vaccination can help U.S. businesses reduce their disease burden by as much as one-third by the year 2040.²

Creating a Culture of Support and Engagement

When employees believe their employer cares about their health and well-being, they are 38% more engaged in their work. One of the top 10 factors that drives employee engagement is benefits.³



More-highly engaged employees tend to take a more active role in maintaining their health and thus enjoy better health status than disengaged employees. These healthier employees are not just less absent but are also more present and productive at work.

Mental Health Is a Business Imperative

COVID-19 has amplified the need for mental health support: More employees are reporting mental health concerns, with 31% experiencing anxiety and depression.⁷ One survey found that 26% of adults say pandemic-related stress makes them less productive at work and 15% say it makes them less engaged in their job.⁸

The economic toll of stress is significant, taking more than \$300 billion out of the U.S. economy as a result of accidents; absenteeism; turnover; diminished productivity; direct medical, legal, and insurance costs; and workers' compensation awards.⁹

Stress and depression represent serious threats to productivity, and employer-sponsored health plans provide valuable access to resources for employees seeking help. A recent study found roughly 72% of U.S. employers have started, are continuing, or are planning to expand investments in behavioral health services as part of employee benefits.¹⁰



Approximately 87% of U.S. employers believe COVID-19 is impacting workforce behavioral health; roughly 72% have started, are continuing, or are planning to expand investments in behavioral health benefits to address this.¹¹

Maintaining a Present and Industrious Workforce

Health is a predictor of productivity, and employer-sponsored health plans can help improve workforce performance by reducing health-related absenteeism. As previously stated, employees with such coverage tend to be more engaged in their health and their job, which drives absenteeism rates down to 41%.¹²

Presenteeism—when employees are at work but don't perform at full capacity—may be an even greater threat to business than absenteeism. Nearly three months are lost to presenteeism per employee per year, and the costs of presenteeism are 10 times those of absenteeism.¹³

In a workplace with a culture of health, potential health issues and risk are identified early and mitigated, thereby reducing the negative effects on productivity associated with presenteeism. Highly engaged employees—defined through an assessment that measured employee engagement, health risks, and on-the-job productivity loss—have significantly lower rates of presenteeism than the least engaged employees. Further, the most highly engaged employees have significantly fewer health risk factors, with nearly 70% of the group being classified as low risk.¹⁴



Companies with high employee engagement are 21% more productive.¹⁵

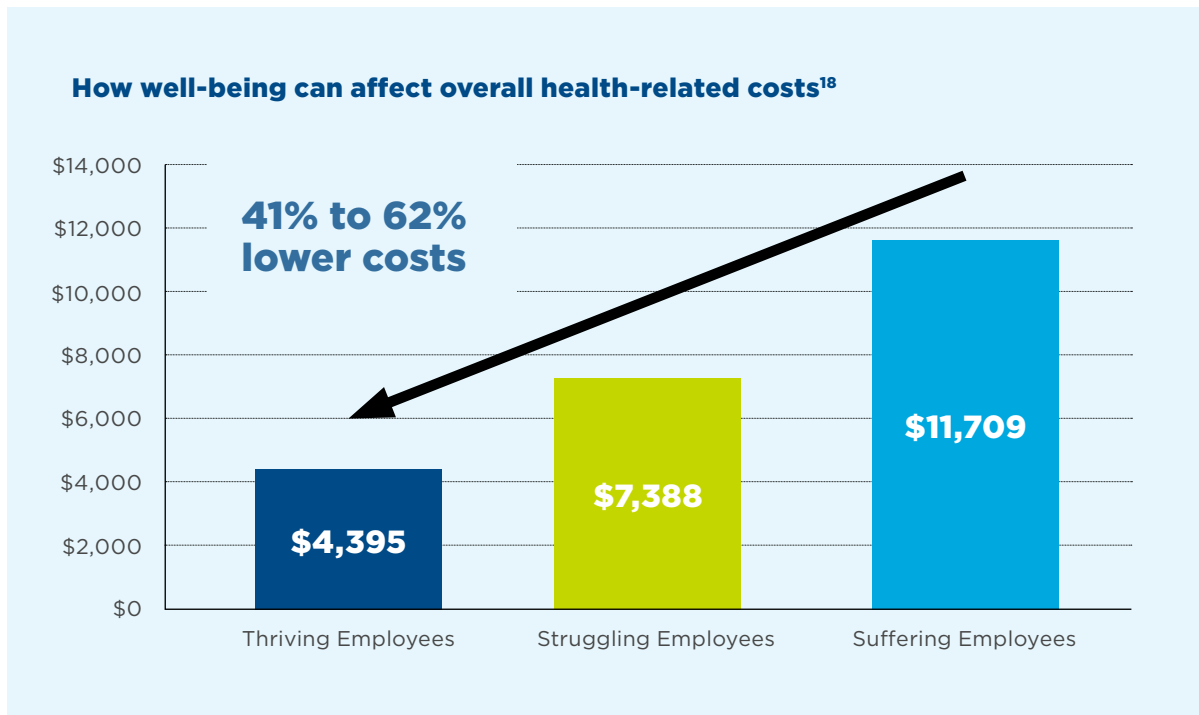
Employer-Sponsored Health Plans Yield Higher Performance and Higher Returns

In a work environment that prioritizes employee health, workers tend to have a more vested interest in the success of the business, driving higher productivity and performance. This increase in productivity yields business results in terms of lower health costs, significant return on investment, and increased stock price performance.

Lower Health Costs

Enhanced focus on employee well-being through workplace health plans and wellness programs has shown to help reduce medical costs. A study at one firm reports that a 13.5% increase in employee well-being led to an average reduction of 5.2% in medical costs per employee per year.¹⁶

Gallup research shows how well-being can affect overall health-related costs. Employees who are thriving have \$4,395 in annual health-related costs to their employers, as compared with \$7,388 for workers who are struggling and \$11,709 for those who are suffering. In sum, employees who are thriving have costs that are at least 41% lower. “For every 10,000 employees, this represents a difference of nearly \$30 million,” the authors observe.¹⁷



More than 60% of employers report that wellness programs reduced health care costs by as much as \$2.38 per member per month (PMPM) in the first 12 months and up to \$11.12 PMPM by the fourth year of operation.¹⁹ Individually targeted lifestyle management services are associated with an improvement in medical cost trend of 36%.²⁰

The savings from wellness and prevention efforts can benefit employers of all sizes. In a recent survey, 48% of small firms and 67% of large firms said their wellness and health-screening programs were effective in reducing utilization and, thus, related expenses. Further, 46% of small firms and 70% of large firms said the programs were effective in reducing health costs overall.²¹

“Workplace wellness programs can identify those at risk and connect them to treatment and put in place supports to help people reduce and manage stress. By addressing mental health issues in the workplace, employers can reduce health care costs for their businesses and employees.”²²

The Centers for Disease Control and Prevention

Significant Return on Investment

For every dollar expended on employee wellness, medical costs fall \$3.27 and absenteeism drops \$2.73—a sixfold return on investment.²³ A seminal study of Johnson & Johnson’s employer-sponsored health promotion program showed the company’s employees experienced meaningful reductions in rates of obesity, high blood pressure, high cholesterol, tobacco use, physical inactivity, and poor nutrition.²⁴ The study found savings of \$1.88 to \$3.92 for every dollar spent on the program.²⁵

Programs with an integrated emphasis on wellness can generate a significant return on investment—an average of \$4 return for every \$1 spent.²⁶

Increased Stock Price Performance

Robust investment in workforce health and well-being is one of the many practices adopted and pursued by high-performing, well-managed companies. Companies with higher scores on the Health Enhancement Research Organization (HERO) Scorecard had better stock performance than the S&P Index over the past three years.²⁷

Companies that invested in the health and well-being of their employees as evidenced by recognition with the C. Everett Koop National Health Award saw stock prices increase by 325%, as compared with the S&P 500 average appreciation of 105%.²⁸

Enhance Company Value by Attracting and Keeping Desirable Talent

Although U.S. unemployment is still relatively high due to the pandemic, economic revitalization post-COVID-19 will rekindle the war for talent that has been raging among employers in this country for more than a decade. Employer-sponsored health plans can be a critical factor in employers' ability to attract and retain desirable, qualified employees: 66% of employees say their benefits package is very or extremely important to their job satisfaction;²⁹ 61% would change jobs for better health insurance;³⁰ and 89% of workers in companies that support well-being initiatives are more likely to recommend their company as a good place to work.³¹

Turnover is estimated to cost businesses about one-fifth of an employee's salary,³² but retention rates are higher among employers with robust benefits and wellness programs. Participants in employer health plans are up to 71% more likely to remain with their employers.³³



Employer-Sponsored Health Plans Boost National Production

A renewed commitment to a healthy and productive workforce, and the focus on prevention and wellness that employer-sponsored health plans enable, can provide fuel for the engine of U.S. economic revitalization and growth.

Simply put, the strength of the economy depends on the strength of the businesses that contribute to it. Productive businesses have always been critical in helping the nation rebound from economic downturns. Businesses themselves need a healthy, able, and available workforce in order to thrive. Therefore, a continuous investment in employee health and well-being, via a robust employer-sponsored health plan, is a positive contribution to economic growth.

For example, poor health costs the United States about \$3.2 trillion, or 16% of real gross domestic product, due to lost productivity associated with disease and premature deaths.³⁴ Broader adoption and optimization of employer-sponsored health plans can make a difference. For every \$1 invested in improving the health of the population, the U.S. economy stands to reap up to \$4 in financial rewards.³⁵ Impacts of wellness and prevention programs on the labor force could represent a 10% increase in the U.S. gross domestic product—about \$3 trillion.³⁶

The employer-sponsored health care system contributes massive socioeconomic value to the United States. A recent analysis by economist Casey Mulligan, Ph.D., extrapolated that the annual social value of employer-sponsored health plans is about \$1.5 trillion beyond what policyholders, their employers, and taxpayers pay for it. That additional value is an average of almost \$10,000 per life year covered.³⁷

The unprecedented economic crisis created by the COVID-19 pandemic demonstrated the vital role of workforce health in driving the nation's prosperity. As the working population begins to recover and protect itself from this devastating disease, it is more important than ever for employers to invest in programs that maintain and optimize employee health and well-being.



The Best Is Yet to Come

Employers are an essential force to help drive economic recovery post-pandemic. A robust employer-sponsored health plan offering helps companies attract talent, drive productivity, increase value, and lower costs. Healthy, productive employees represent a true competitive advantage for American businesses.

Employers already insure more than 180 million Americans—over half of the U.S. population³⁸—and are capable of supporting even more. By improving individual accountability and personal engagement in health, employers are positively increasing their workforce productivity, which has a positive impact on their business performance. This also reduces overall U.S. health care costs, greatly benefiting the American economy. Individual health is the unique catalyst for higher rates of workforce productivity, business performance and, ultimately, American prosperity. Employers should maintain their investment in workforce health via their provision of health care coverage, as well as the adoption or expansion of comprehensive wellness programs. Any reduction of employer support in this area would likely add tremendous burden to both their employees and the U.S. health care system.

Looking ahead, employers will continue to be a crucial contributor to health care advancement. Their decades-long efforts in both program innovation and workforce engagement will help the country achieve the promise of a sustainable health care system. A system that focuses more on maintaining wellness than treating sickness, views the individual as a whole person by addressing physical and mental health together, and enables people to experience care in a way that is affordable, simple, and predictable will best meet the needs of employers, employees, and their families.

By enhancing the delivery of health care to help people live their healthiest, most productive, and most vital lives, employer-sponsored health plans are key to building a strong U.S. economy and a sustainable health care system.



Endnotes

- 1 Keisler-Starkey K and Bunch LN. Health Insurance Coverage in the United States: 2019. United States Census Bureau, 2020. www.census.gov/library/publications/2020/demo/p60-271.html.
- 2 Linzer K, Remes J, and Singhal S. How Prioritizing Health Is a Prescription for US Prosperity. McKinsey Global Institute, October 5, 2020. www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/how-prioritizing-health-is-a-prescription-for-us-prosperity.
- 3 Hackbarth N, Brown A, and Albrecht H. Workplace Well-Being: Provide Meaningful Benefits to Energize Employee Health, Engagement, and Performance. Quantum Workplace. www.shrm.org/resourcesandtools/hr-topics/benefits/documents/resources-whitepapers-health-and-well-being.pdf.
- 4 Ibid.
- 5 Witters D and Agrawal S. Well-Being Enhances Benefits of Employee Engagement. Blog Post, Gallup, October 27, 2015. www.gallup.com/workplace/236483/enhances-benefits-employee-engagement.aspx.
- 6 Ibid.
- 7 Czeisler ME, Lane RI, Petrosky E, et al. Mental Health, Substance Use, and Suicidal Ideation during the COVID-19 Pandemic—United States, June 24–30, 2020. *CDC Morbidity and Mortality Weekly Report*, August 14, 2020.
- 8 Colonial Life. Study: U.S. Worker Productivity, Engagement Suffering Amid Pandemic. Press Release, April 15, 2020. www.coloniallife.com/about/newsroom/2020/april/worker-productivity-engagement-suffering-amid-pandemic.
- 9 Ibid.
- 10 McKinsey & Company. 2020 COVID-19 Employer Health Benefits Survey (April 16–22).
- 11 Ibid.
- 12 Gallup. Gallup Q12 Meta-Analysis Report, 2016. www.gallup.com/workplace/521725/gallup-q12-meta-analysis-report.aspx.
- 13 Virgin Pulse. Clocking On and Checking Out: Why Your Employees May Not Be Working at Optimal Levels and What You Can Do About It. Report, Virgin Pulse Global Challenge. gcmmarketing.blob.core.windows.net/marketing-site/market/resources/presenteeism/presenteeism-whitepaper.pdf.
- 14 Burton WN, Chen CY, Li X, et al. The Association of Employee Engagement at Work with Health Risks and Presenteeism. *J Occup Environ Med*, 2017 Oct;59(10):988–992.
- 15 Sorenson S. How Employee Engagement Drives Growth. Gallup, June 20, 2013. www.gallup.com/workplace/236927/employee-engagement-drives-growth.aspx.
- 16 Guo X, Coberley C, Pope JE, et al. The Value of a Well-Being Improvement Strategy: Longitudinal Success across Subjective and Objective Measures Observed in a Firm Adopting a Consumer-Driven Health Plan. *J Occup Environ Med*, 2015;57(10):1055–62.
- 17 Rath T and Harter J. The Economics of Wellbeing. Report, Gallup, 2010–2011. www.gallup.com/services/177050/economics-wellbeing.aspx.
- 18 Ibid.
- 19 Mattke S, Kapinos KA, Caloyeras JP, et al. Incentives for Workplace Wellness Programs. Research Brief, RAND Corporation, 2015. www.rand.org/pubs/research_briefs/RB9842.html.
- 20 HERO Health with Mercer. The HERO Health and Well-Being Best Practices Scorecard, 2018 Progress Report. hero-health.org/wp-content/uploads/2018/12/6009559-HB-2018-HERO-Scorecard-Progress-Report_final.pdf.
- 21 Kaiser Family Foundation. 2020 Employer Health Benefits Survey. October 8, 2020. www.kff.org/report-section/ehbs-2020-summary-of-findings.
- 22 Centers for Disease Control and Prevention. Mental Health in the Workplace. April 10, 2019. www.cdc.gov/workplacehealthpromotion/tools-resources/workplace-health/mental-health/index.html.
- 23 Baicker K, Cutler D, and Song Z. Workplace Wellness Programs Can Generate Savings. *Health Affairs*, 2010;29(2): 304–311.
- 24 Henke RM, Goetzel RZ, McHugh J, et al. Recent Experience in Health Promotion at Johnson & Johnson: Lower Health Spending, Strong Return on Investment. *Health Affairs*, 2011;30(3): 490–499.
- 25 Ibid.
- 26 Linzer K, Remes J, and Singhal S. How Prioritizing Health Is a Prescription for US Prosperity. McKinsey Global Institute, October 5, 2020. www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/how-prioritizing-health-is-a-prescription-for-us-prosperity.
- 27 Grossmeier J, Fabius R, Flynn JP, et al. Linking Workplace Health Promotion Best Practices and Organizational Financial Performance: Tracking Market Performance of Companies with Highest Scores on the HERO Scorecard. *J Occup Environ Med*, 2016;58(1): 16–23.
- 28 Goetzel RZ, Fabius R, Fabius D, et al. The Stock Performance of C. Everett Koop Award Winners Compared with the Standard & Poor's 500 Index. *J Occup Environ Med*, 2016 Jan;58(1):9–15.
- 29 Aflac. 2020–2021 Aflac WorkForces Report. www.aflac.com/business/resources/aflac-workforces-report/default.aspx.
- 30 Gallup. State of the American Workplace 2017. www.gallup.com/workplace/238085/state-american-workplace-report-2017.aspx.
- 31 American Psychological Association. Workplace Well-Being Linked to Senior Leadership Support, New Survey Finds. June 1, 2016. www.apa.org/news/press/releases/2016/06/workplace-well-being.
- 32 Boushey H and Glynn SJ. There Are Significant Business Costs to Replacing Employees. Issue Brief, Center for American Progress, November 16, 2012. www.americanprogress.org/issues/economy/reports/2012/11/16/44464/there-are-significant-business-costs-to-replacing-employees.
- 33 Mitchell RJ, Ozminkowski RJ, and Hartley SK. The Association between Health Program Participation and Employee Retention. *J Occup Environ Med*, 2016 Sep;58(9):896–901.
- 34 Linzer K, Remes J, and Singhal S. How Prioritizing Health Is a Prescription for US Prosperity. McKinsey Global Institute, October 5, 2020. www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/how-prioritizing-health-is-a-prescription-for-us-prosperity.
- 35 Ibid.
- 36 Ibid.
- 37 Mulligan CB. The Value of Employer-Sponsored Health Insurance. Preliminary report. November 2020. www.nber.org/papers/w28590.
- 38 Keisler-Starkey K and Bunch LN. Health Insurance Coverage in the United States: 2019. United States Census Bureau, 2020. www.census.gov/library/publications/2020/demo/p60-271.html.