

INTEGRATED  
BENEFITS  
INSTITUTE

# The Business Case for a Healthy Workforce

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# About IBI

- 501(c)(6) non-profit business association
  - Established 1995
  - 1,200+ organizational members – mostly employers
- Help business leaders to:
  - Understand the toll that illness takes on workers' productivity
  - Recognize the competitive advantages of helping employees get and stay healthy
- Research, data, tools and educational activities



# Illness Has Costs

## Health Creates Value

- Employees create value by applying their training, experience and talents towards the company's goals.
- Illness keeps employees away from the job or prevents them from putting in their top performance.
- Companies lose more than just the costs of getting sick people well again. They lose all the value healthier employees would have created.



# Today's agenda

- The view of benefits from C-Suite
- The strategic approach to health and productivity
- Assembling the evidence in the meantime
  - A hospital example
- How much loss is avoidable
  - In principle?
  - By intervention?



# Make the Business Case to the C-Suite



IBI surveyed **345 CFOs**

about their company's health benefits

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- **82%** for-profit
- **80%** had **500+** employees
- **40%** were Fortune 1000 companies, with **revenues greater than \$2 billion**

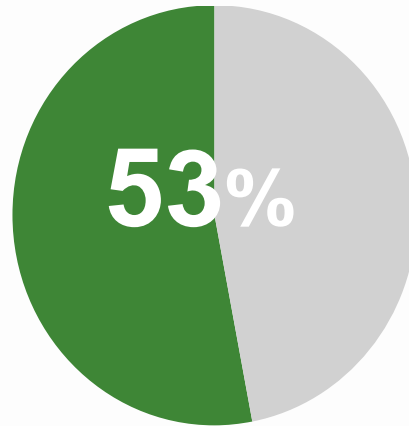
# CFOs: Key Partners in Benefits Decisions

**85%** of CFOs play a role in benefits decisions



**43%** of CFOs say they participate in decisions as an **equal partner**—not just a budget approver—with other business functions, like HR

# CFOs: Key Partners in Benefits Decisions

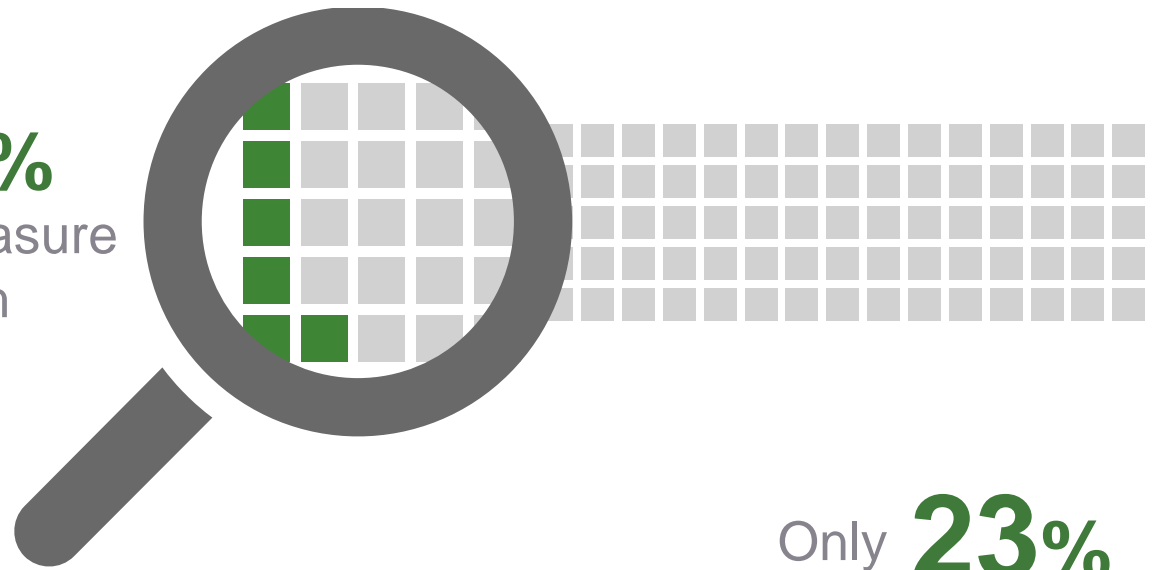


-- say linking health-related performance to business metrics would help them make better decisions



# CFOs Could be More Effective Partners

Only **6%**  
of CFOs measure  
**ROI** of health  
benefits



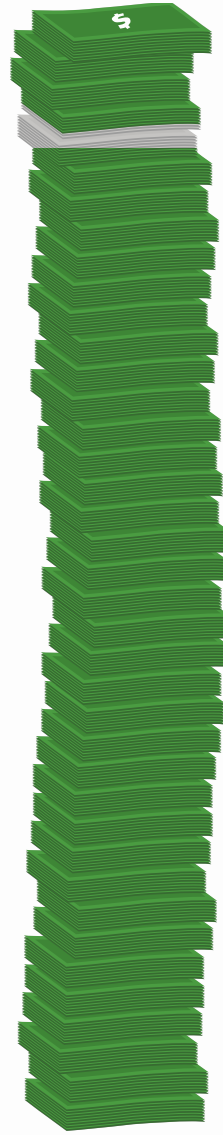
Only **23%**  
measure *any* outcome







# Cost control is important ...

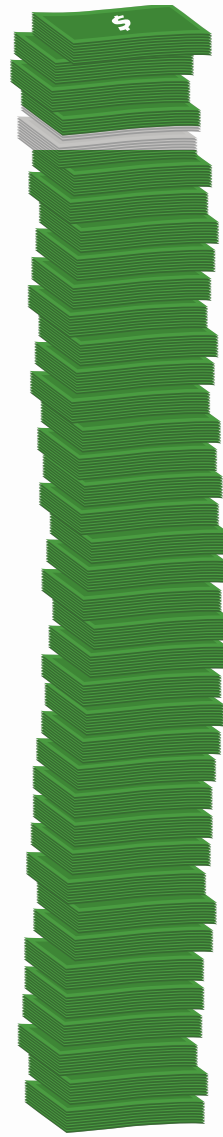


**87%**

of CFOs said cost control is one of their **top 5 goals** for health benefits

Cost control  
is important ...

...but only up  
to a point



**87%**

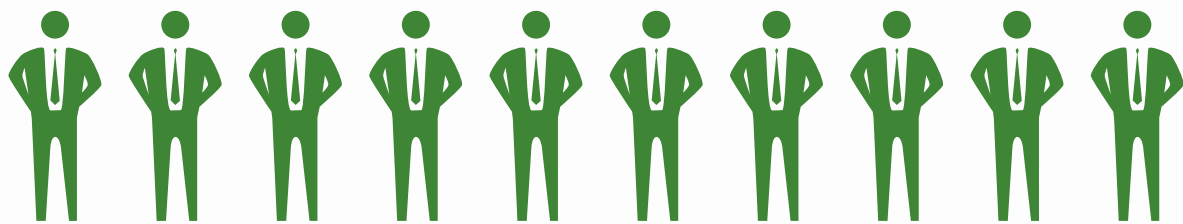
of CFOs said cost control is one of their **top 5 goals** for health benefits

**44%**

said cost control is their **most important goal**

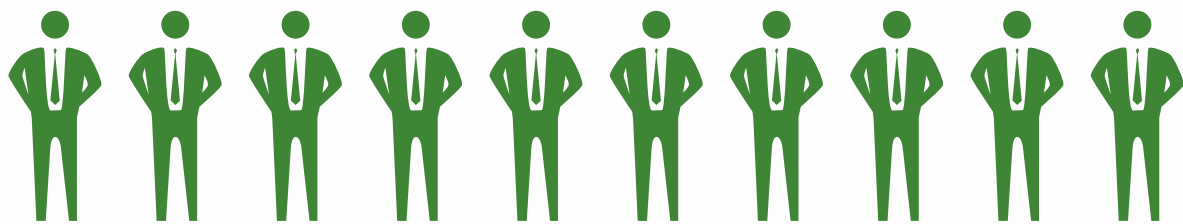


# For Every 10 CFOs Who Say **Controlling Costs** is the Most Important Goal for Health Benefits





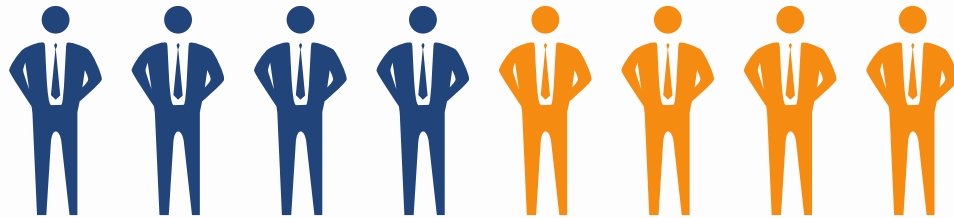
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4 say “helping enrollees become healthier, better consumers of care”



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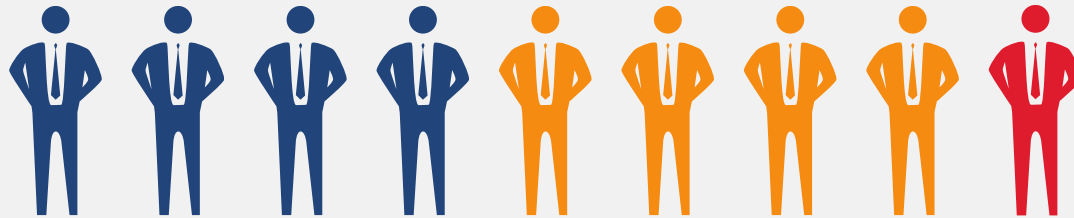
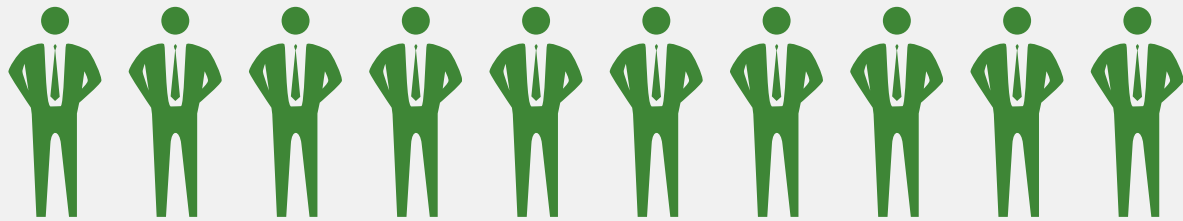


**4** say “helping enrollees become healthier, better consumers of care”  
**4** say “attracting, retaining talent or improving productivity”



# For Every 10 CFOs Who Say **Controlling Costs** is the Most Important Goal for Health Benefits

9 Other CFOs Report **Another** Goal as the Most Important



**4** say “helping enrollees become healthier, better consumers of care”

**4** say “attracting, retaining talent or improving productivity”

**1** says “improving customer service or business performance”

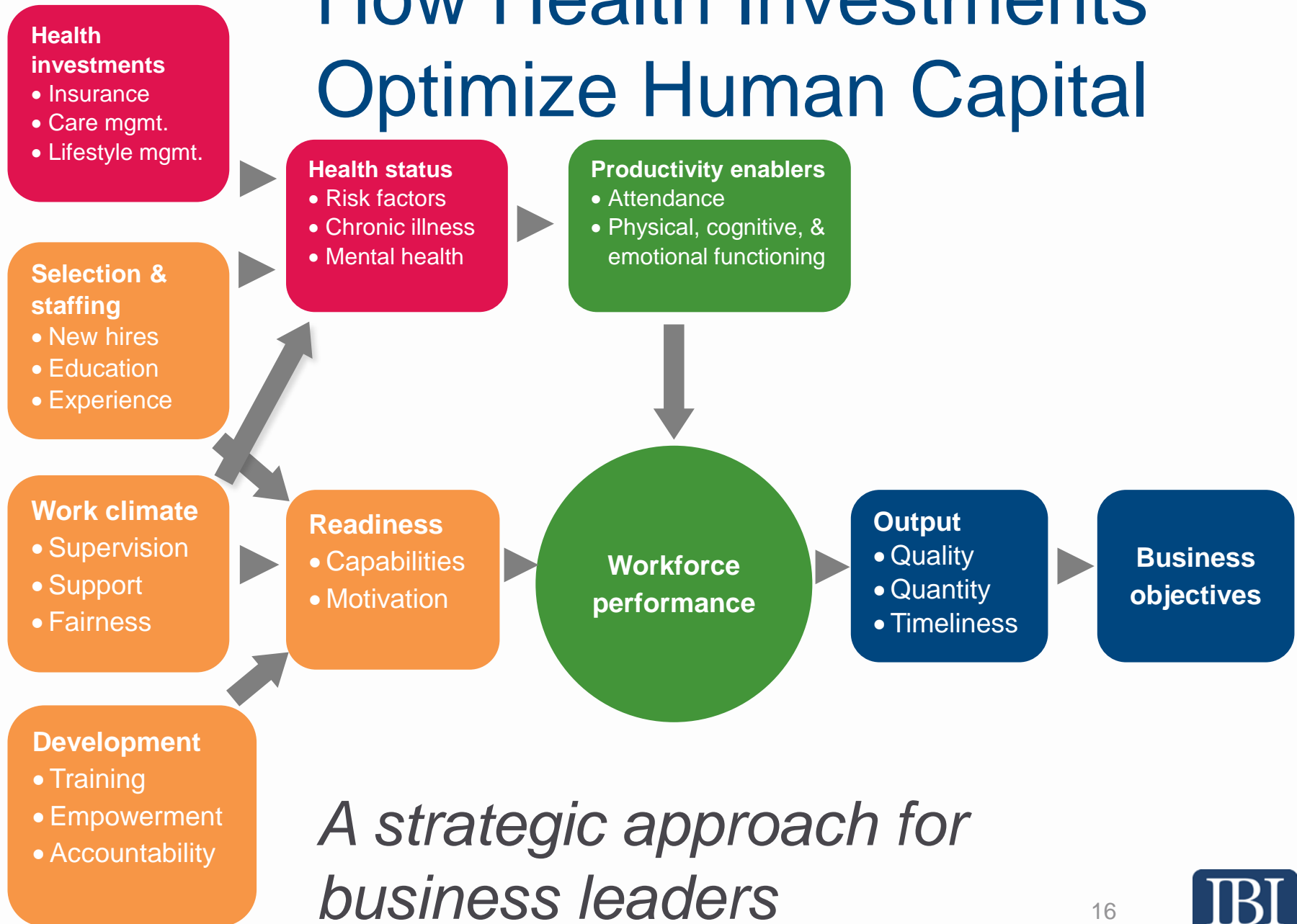


# Illness Has Costs

## Health Creates Value

- How do employees create value for your specific company?
- How does illness get in the way?

# How Health Investments Optimize Human Capital



*A strategic approach for business leaders*



# Most companies are not ready to put the pieces together

Until then ... identify the pieces

- How much illness?
- How much lost productive capacity?
- What does it all cost?

# A Lost Productivity Cost Example



# Model Data Sources

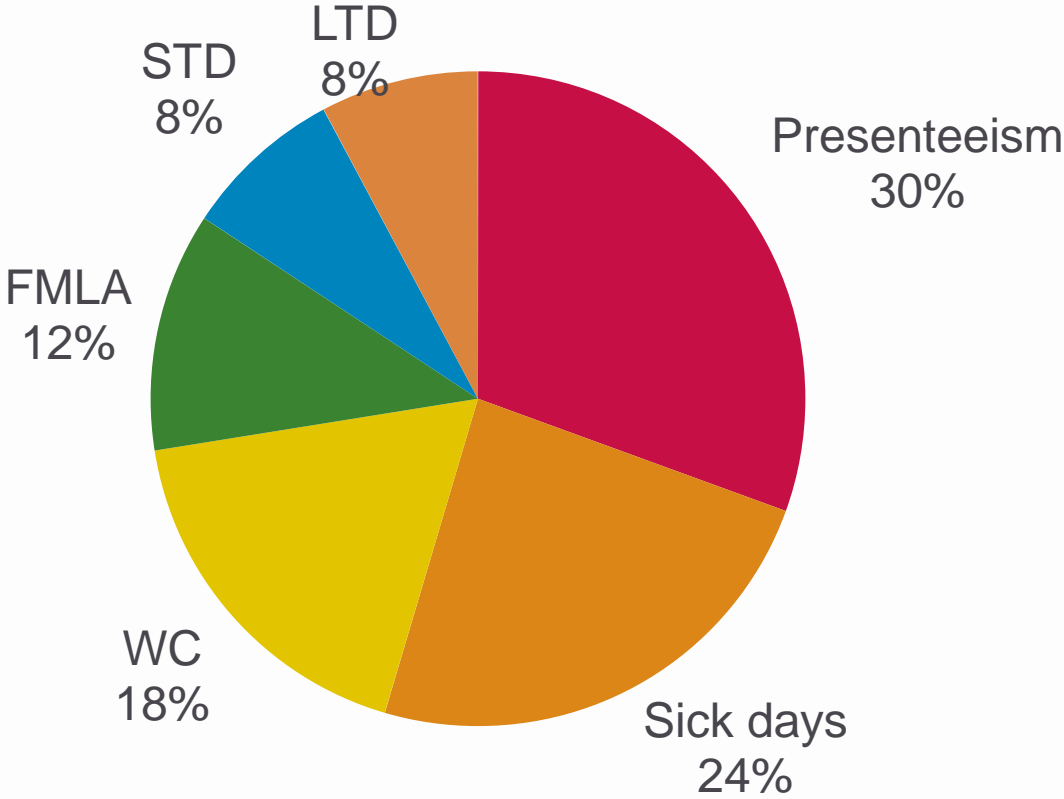


NATIONAL  
ACADEMY  
OF SOCIAL  
INSURANCE



Nicholson,  
Pauly, Polsky,  
et al.

# A 5,000 Person Hospital System Loses 65,000 Days to Illness Annually

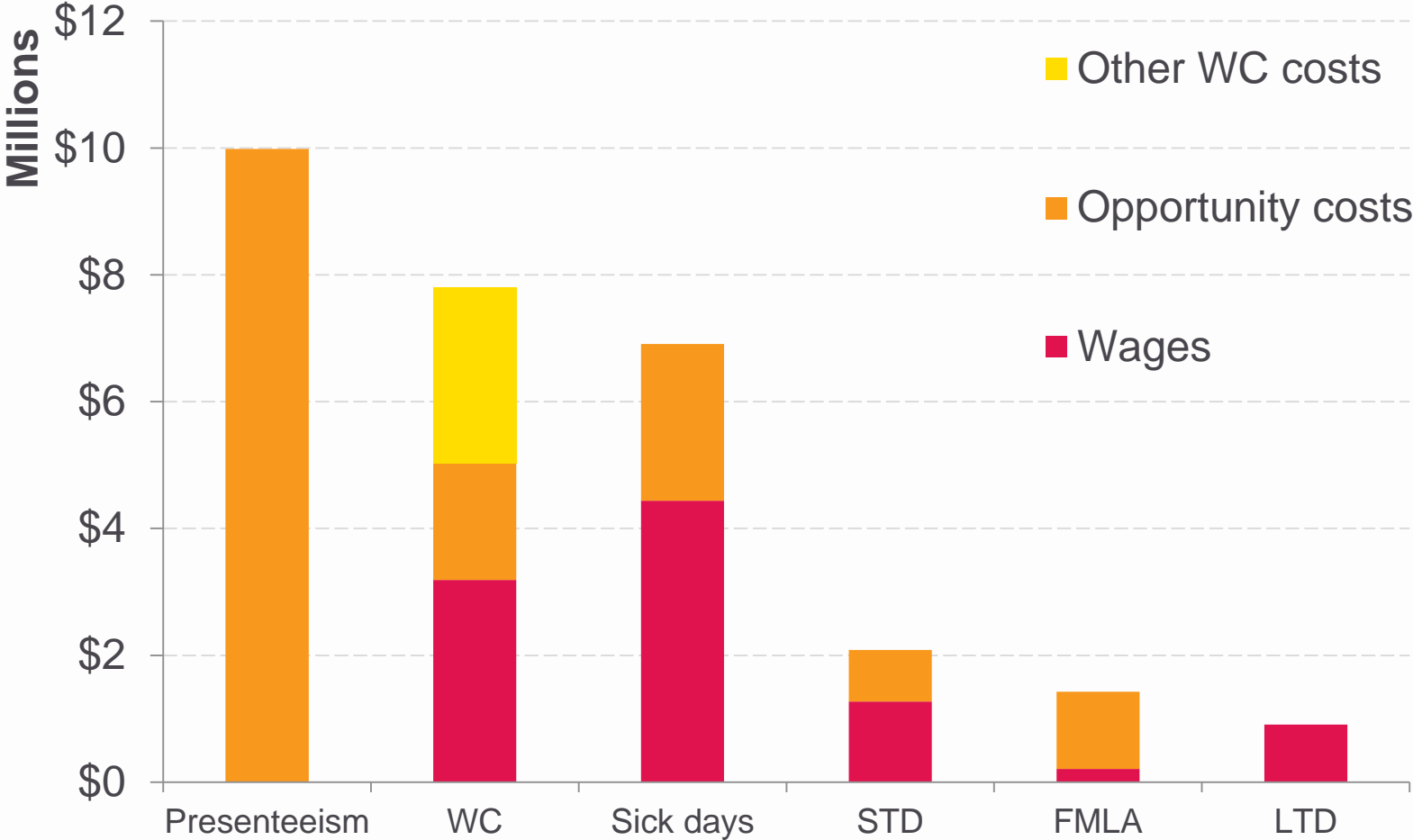


Source: IBI Full Cost Estimator, industry averages for NAICS 622 (Hospitals)

# 65,000 Days Lost

- 13.0 days PEPY
- The equivalent of 249 full-time employees
- 5.4% of current human capital

# At a Cost of \$29.3 Million



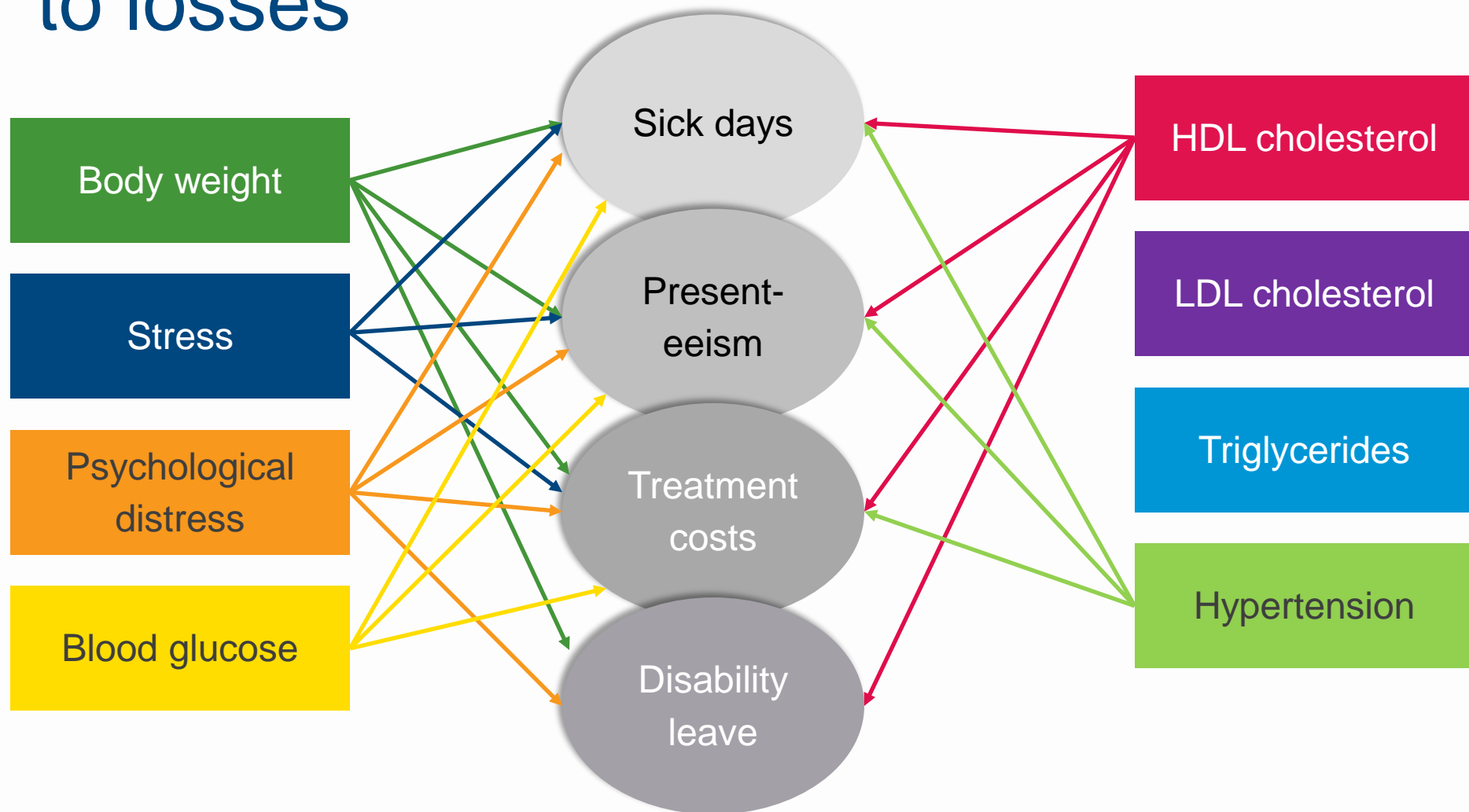
Opportunity costs assume that an employer replaced only 69% of the value of absent workers' lost output at the cost of their normal wages – or conversely, that it replaced 100% of their output at a cost of 145% of their normal wages.



# How Much of These Losses are Avoidable?



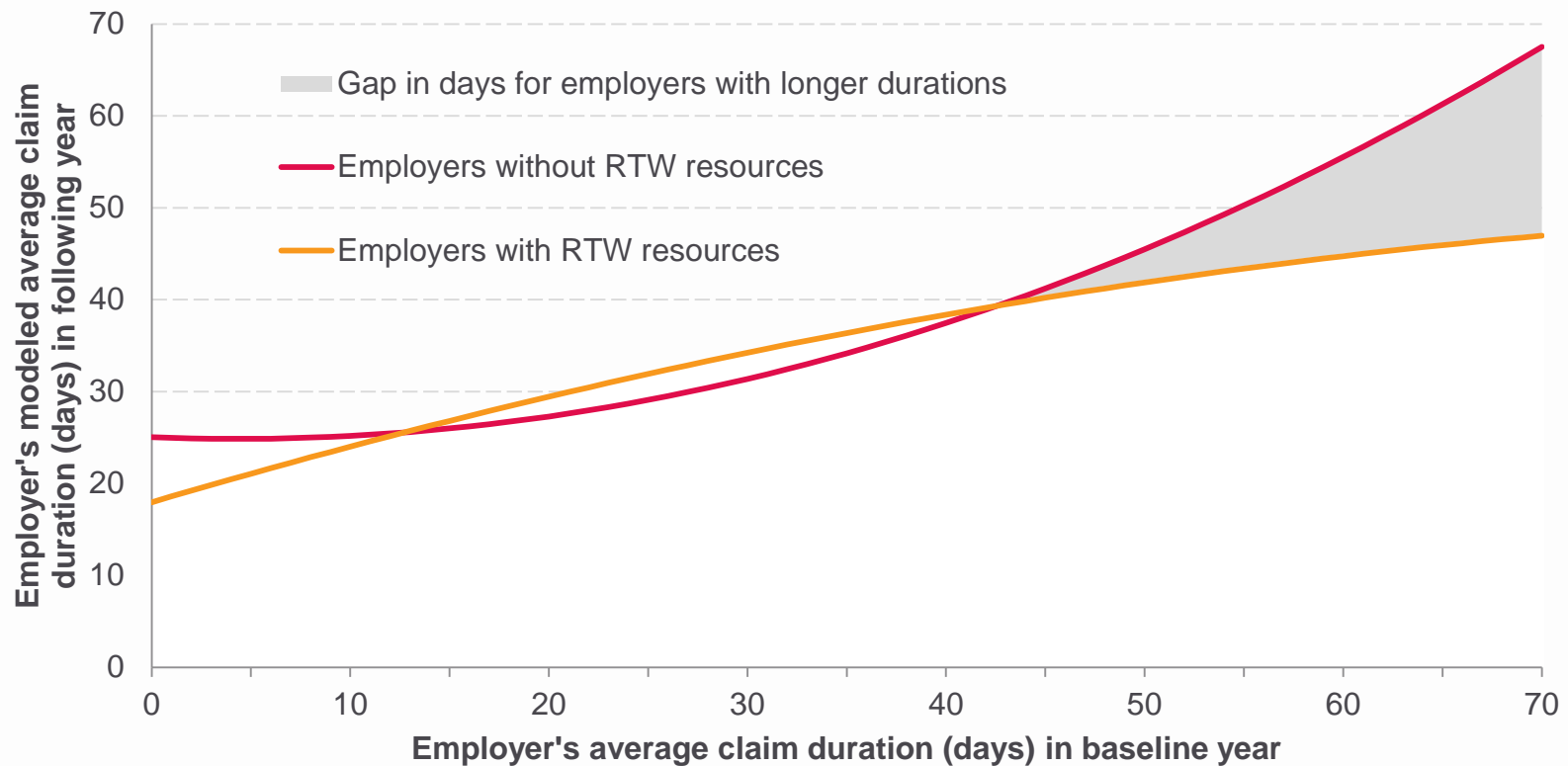
# Manageable conditions contribute to losses



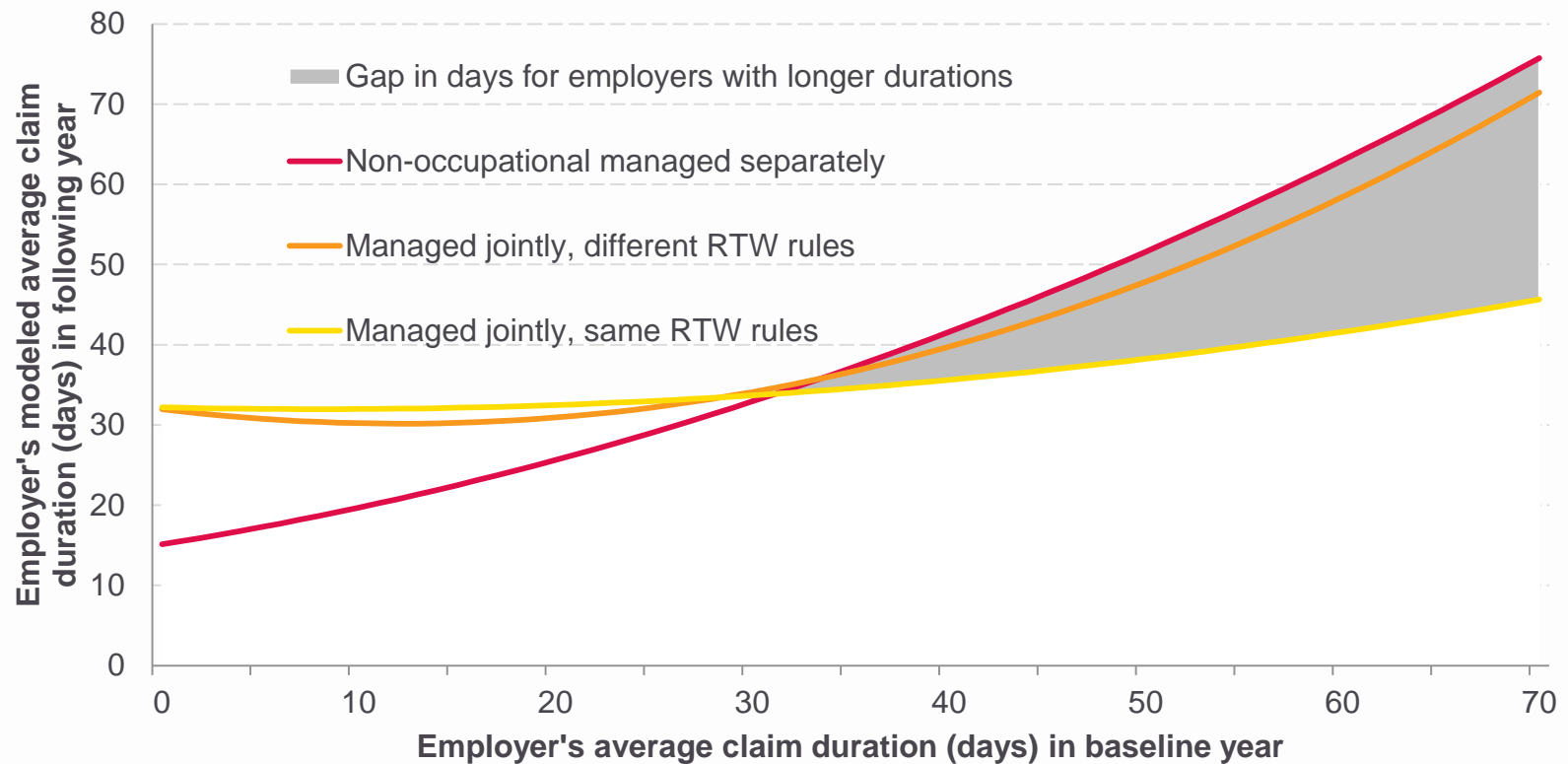
Gifford, Brian. "Unhealthy body weight, illness absence, presenteeism, medical payments, and disability leave: A longitudinal view." *Population Health Management* 18, no. 4 (2015): 272-282.<sup>24</sup>



# RTW resources disrupt persistent claim durations



# Jointly managing occ & non-occ cases disrupts persistent claim durations



# Summary

- CFOs want more than just cost information
- A durable case for a healthy workforce emphasizes the value employees to the organization – and how illness gets in the way
- The costs of illness are calculable
- Losses can be mitigated

# Further Resources

- Integrated Benefits Institute, February 2016, *Finding the Value in Health: Results from IBI's Latest CFO Survey*
- Integrated Benefits Institute, February 2016, *Putting the Pieces Together: Linking Health and Business Performance Measures*
- IBI Full Cost Estimator
- Integrated Benefits Institute, September 2016, *The Value of Disability Return-to-Work Programs*

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