

Section 1

Current Medical Expenditures And Lost Productivity Costs

Section 1 Contains:

- ➔ **1.A** Your Current And Projected Medical Care Costs
- ➔ **1.B** Modifiable Versus Non-Modifiable Costs
- ➔ **1.C** The 10 Drivers Of Your Organization's Modifiable Medical & Lost Productivity Costs
- ➔ **1.D** How The Modifiable Health Risk Factors Rank In Your Organization
- ➔ **1.E** The Prevalence Of Modifiable Risk Factors In Your Organization
- ➔ **1.F** Your Organization's Modifiable Risk Factors As Compared To US National Averages

In This Section

In this section, we're going to provide a rock-solid foundation so that you'll be better able to understand the actual costs and cost-drivers of poor health in your organization.

Specifically:

- 1.A** We'll provide a snapshot of your current and projected medical care costs—you'll soon see that choosing to “do nothing” when it comes to managing the health of your employees will be a very costly proposition for your organization in the future.
- 1.B** This report will quantify the portion of your organization's medical care costs that are modifiable (i.e. those costs that can be contained through worksite health promotion programs and those that cannot). This is important information because some of your health care costs are driven by factors outside of your organization's control (e.g. medical technology, litigation, etc.). Your EconoHealthROI™ report gives you the information you need to focus specifically on the drivers over which you have the most control.
- 1.C** EconoHealthROI™ will then identify the 10 most significant drivers of your organization's modifiable health care and lost productivity costs. These 10 drivers are largely lifestyle-related and can be impacted most by your organization's worksite wellness initiative—thus, helping you to contain costs by improving employee health.
- 1.D** Next, we'll rank these 10 cost-drivers in order of impact within your organization. By providing an itemized rank order of modifiable cost drivers, you will see which health behaviors are costing your organization the most money in terms of health care and lost productivity.
- 1.E** You'll be able to see the prevalence of modifiable risk factors within your organization's employee population. By having this information, you'll understand what percentage of your employee population is wrestling with unhealthy lifestyles and the subsequent health risks.
- 1.F** Finally to complete this section, we'll provide a side-by-side comparison of your particular employee population with US national averages. You'll see how the health of your organization compares with similar organizations across the United States.

1.A Your Current And Projected Medical Care Costs

“For most companies, medical care costs are the second highest expense behind payroll.”

For most companies, medical care costs are the second highest expense behind payroll. Perhaps what’s most concerning is that virtually every organization experiences higher health care costs each year, and those that are the rare exception to this rule are challenged to contain their costs year after year. From the information you provided in the Data Request Form, EconoHealthROI™ shows that your company is paying approximately 7% more for health care every year.

Based on this rate with your current costs at \$7.11 million, **Figure 1-1** illustrates how your costs will most likely increase over the next few years if you do not adequately implement aggressive and strategic cost-containment measures in the very near future.



Your Current And Projected Medical Care Costs

FIGURE 1-1

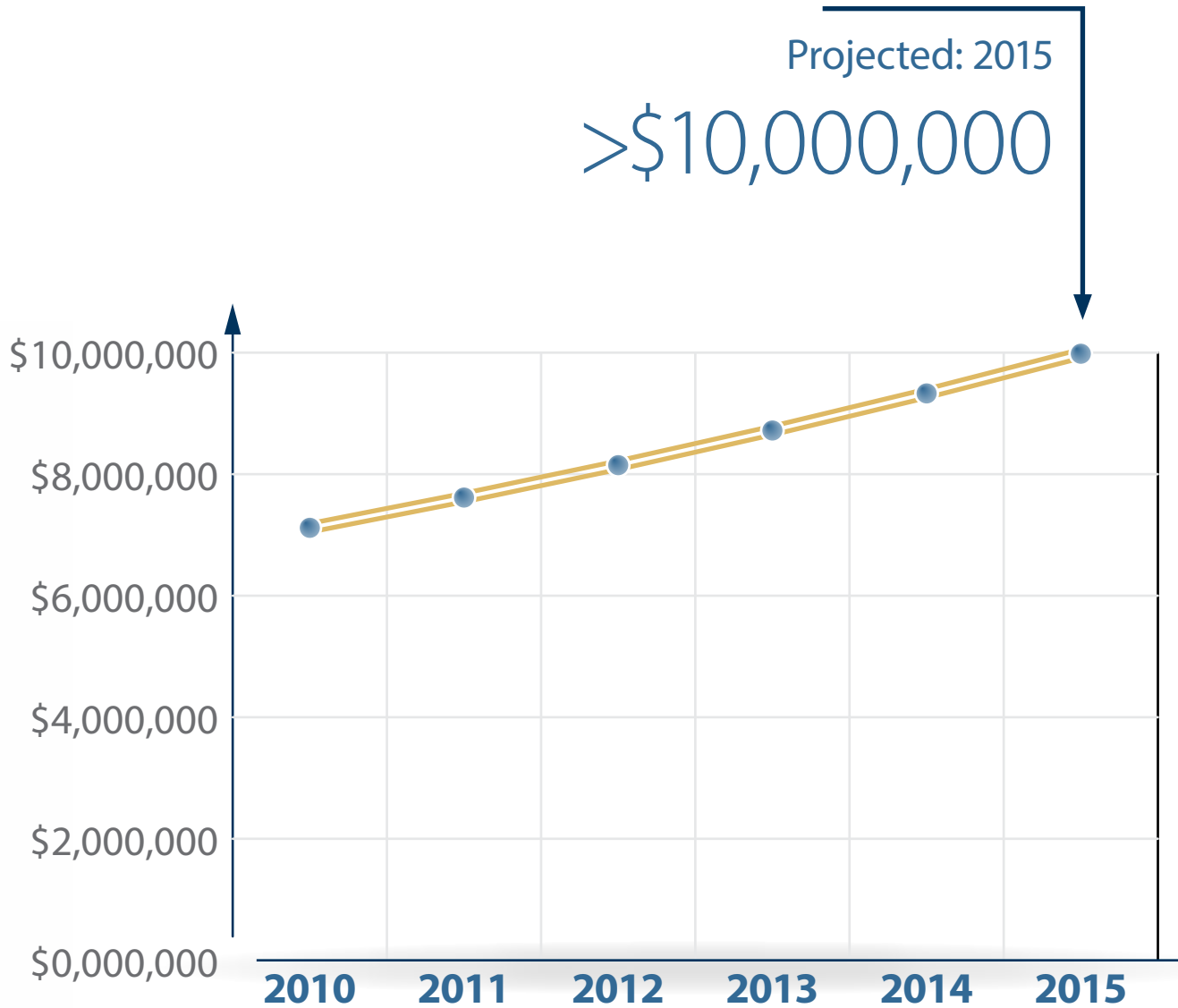


Figure 1-1 shows your current medical care costs and how they are projected to increase in the near future. If your organization stays on its present course—without implementing aggressive cost containment measures—your health care costs will most likely reach \$10,000,000 in the next five years.

1.B Modifiable Versus Non-Modifiable Costs

“It is important to understand that both economic and non-economic factors drive your organization’s medical care costs.”

While health care costs continue to escalate annually, many organizations across the United States are implementing effective cost containment strategies. Before examining the specific strategies recommended through this EconoHealthROI™ analysis it is important to understand the concept of modifiable versus non-modifiable health care expenditures.

To begin, it is important to understand that both economic and non-economic factors drive your organization’s medical care costs. As a result, it is essential that you understand the difference between modifiable and non-modifiable costs.

To be sure, some of the most significant medical care cost-drivers within American worksites fall into the category of *non-modifiable* expenditures. They are referred to as *non-modifiable* expenditures because these costs are incurred by factors that are typically outside of your organization’s control. These factors include such things as: inflation, cost shifting, technology, litigation, pharmaceutical marketing, administrative inefficiencies, defensive medicine practices and fraudulent billing practices. EconoHealthROI™ estimates that the percentage of non-modifiable medical care expenditures within your organization is 64% of your organization’s total annual medical care costs.

Because there is little you can do to address or contain the costs associated with these *non-modifiable* medical care expenditures, your EconoHealthROI™ report will focus exclusively on your organization’s *potentially modifiable* costs—those that you can actually change and impact through an ongoing, comprehensive worksite wellness initiative.

With this understanding as a background, and in stark contrast to non-modifiable health care expenditures, *modifiable* health care expenditures—which are predominantly driven by unhealthy lifestyle behaviors—are largely preventable. Because they are largely preventable, unhealthy lifestyle behaviors are perhaps the most notorious drivers of today’s rising modifiable health care costs. For example, it is estimated that anywhere from 25% to 50% of a typical employer’s annual medical care costs are directly preventable and can be avoided by addressing such things as physical inactivity, weight management, preventive health care, etc.

In the case of your particular organization, EconoHealthROI™ has estimated that your modifiable health care costs account for 36% of your organization’s total annual medical expenditures (see **Figure 1-2**).

Modifiable Versus Non-Modifiable Costs

FIGURE 1-2

Modifiable Versus Non-Modifiable Medical Care Costs

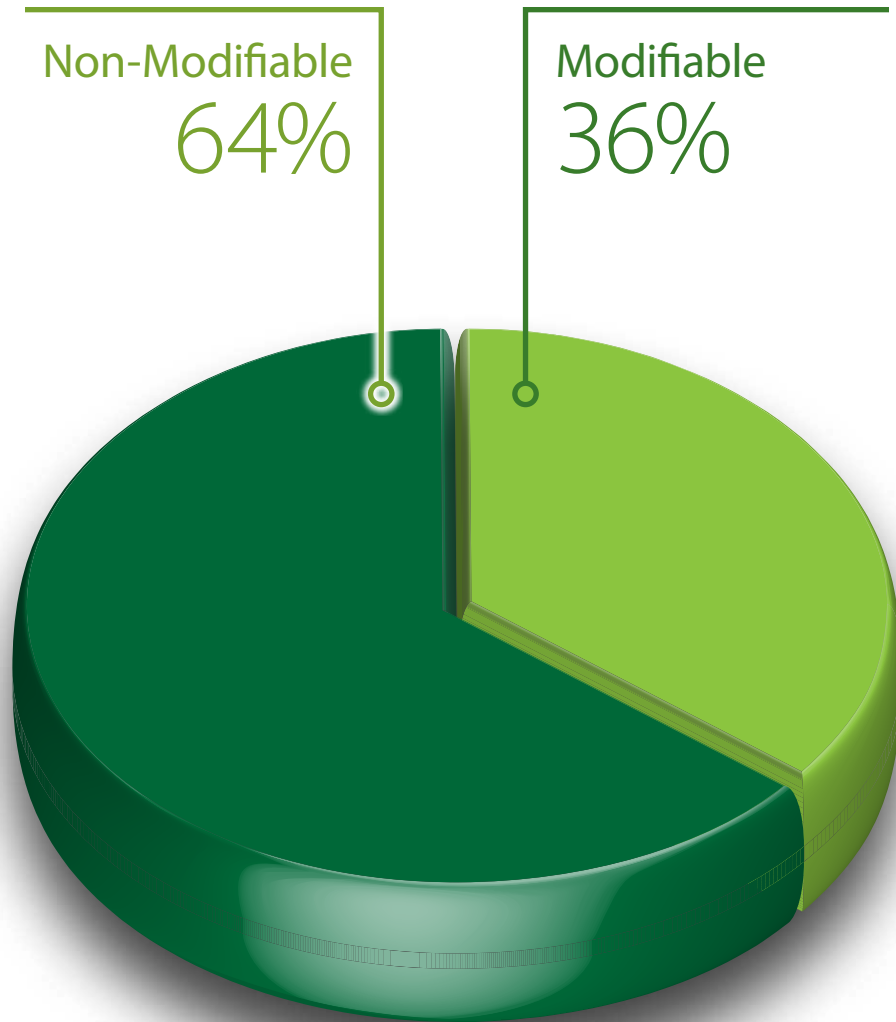


Figure 1-2 illustrates the percentages of your overall medical care costs that are non-modifiable and modifiable. Specifically, your organization's **modifiable** cost-drivers comprise 36% of your organization's total medical care costs—a significant expenditure which can be addressed with a comprehensive worksite wellness program.

1.C The 10 Drivers Of Your Organization's Modifiable Medical & Lost Productivity Costs

“lost productivity
= absenteeism
+ presenteeism
+ short term
disability”

When it comes to your organization's *modifiable* medical care costs, it is essential to understand that lifestyle-related (behavioral) risk factors are the primary culprits driving these expenditures. Lifestyle-related behavioral risk factors among your employee population include such things as lack of physical activity, diabetes, high cholesterol and tobacco use (just to mention a few).

Interestingly and of significant concern to employers, in addition to your organization's *modifiable* medical expenditures, there are also costs that take the form of *lost productivity*. In fact, lost productivity costs can actually dwarf your organization's modifiable medical expenditures. Thus, to gain an accurate picture of the actual costs of what unhealthy behaviors are costing your company, you'll need to quantify both the modifiable medical care costs and the accompanying costs of lost productivity.

One of the useful features of the EconoHealthROI™ analysis is that it measures not only your organization's modifiable medical care expenditures, but also your lost productivity costs as well. In fact, these lost productivity costs will take the form of employee *absenteeism*, *presenteeism*, and *short-term disability*. Integrating all three of these areas within such an analysis as this will provide you with a more comprehensive picture of the total cost of health-related lost productivity and its associated costs.

1.D How The Modifiable Health Risk Factors Rank In Your Organization

Specifically, according to your EconoHealthROI™ analysis, the ten most significant lifestyle-related (behavioral) risk factors that drive both your organization's modifiable medical care **and** lost productivity costs include (in rank order):

1. Obesity
2. High cholesterol
3. Physical inactivity
4. Inadequate use of preventive care services
5. Failure to practice medical self-care
6. Smoking
7. Hypertension
8. Depression
9. No flu vaccination
10. Diabetes



How The Modifiable Health Risk Factors Rank In Your Organization

According to the EconoHealthROI™ analysis, these modifiable lifestyle-related risk factors are responsible for significant medical care and lost productivity costs within your organization. By aggressively addressing the top ten modifiable health risk factors in your organization, you can impact both your organization's medical care and lost productivity costs by improving employee health.

By examining **Figure 1-3** below, you'll see the actual dollar amounts that these 10 risk factors are costing your organization in terms of potentially preventable medical expenditures and the accompanying costs of lost productivity.

FIGURE 1-3

Aggregate Costs Per Targeted Risk Factor

RISK FACTOR	MEDICAL CARE	LOST PRODUCTIVITY	TOTAL
OBESITY	\$753,220	\$1,257,339	\$2,010,560
HIGH CHOLESTEROL	\$380,204	\$633,013	\$1,013,217
PHYSICAL INACTIVITY	\$466,700	\$510,228	\$976,928
NO PREVENTIVE SERVICES	\$191,921	\$729,231	\$921,152
NO MEDICAL SELF-CARE	\$77,451	\$820,385	\$897,836
SMOKING	\$146,954	\$668,072	\$815,026
HYPERTENSION	\$195,671	\$557,052	\$752,723
DEPRESSION	\$150,720	\$449,926	\$600,646
NO FLU VACCINATION	\$71,486	\$199,837	\$271,664
DIABETES	\$69,214	\$188,813	\$258,027
TOTAL	\$2,503,881	\$6,013,897	\$8,517,778

1.E The Prevalence Of Modifiable Risk Factors In Your Organization

“Armed with this prevalence data, you will begin to see what percentage of your employee population is struggling with specific health risks.”

In addition to better understanding your organization’s modifiable and non-modifiable health care costs—as well as the costs of lost productivity and the ten specific drivers of these preventable costs—it is essential to also become familiar with the *prevalence* of modifiable risk factors within your employee population. For the purposes of the EconoHealthROI™ report, “prevalence” refers to the percentage of your employee population that is affected with a particular disease or related risks at this present time.

Armed with this prevalence data, you will begin to see what percentage of your employee population is struggling with specific health risks, thus providing a logical pathway to where your efforts will be best concentrated when it comes to maximizing the impact of your organization’s workplace wellness initiative.

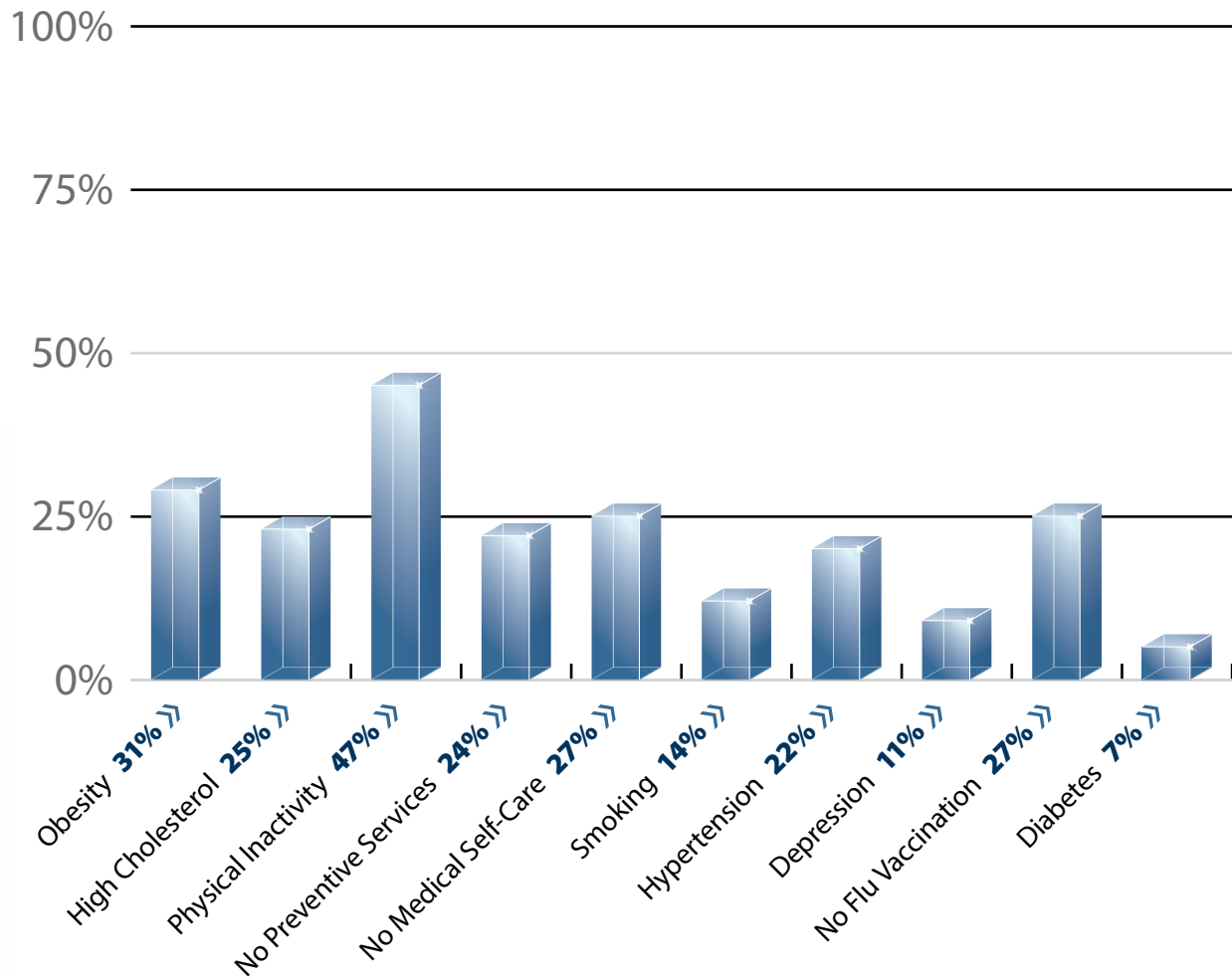
Figure 1-4 illustrates the actual prevalence rates associated with each of the ten lifestyle-related modifiable risk factors currently present in your organization.



The Prevalence Of Modifiable Risk Factors In Your Organization

FIGURE 1-4

Prevalence of Specific Risk Factors



*Percentages do not total 100% because some employees have two or more risk factors.

1.F Your Organization's Modifiable Risk Factors As Compared To US National Averages

“It is important that you get a more accurate perspective of how your employees' lifestyle-related modifiable risk factors compare to the nation's workforce as a whole.”

Before proceeding on to Section 2, it is important that you get a more accurate perspective of how your employees' lifestyle-related modifiable risk factors compare to the nation's workforce as a whole. In **Figure 1-5**, you will find a direct comparison of the prevalence of risk factors within your company compared with the prevalence of risk factors in a cross section of worksites throughout the United States.

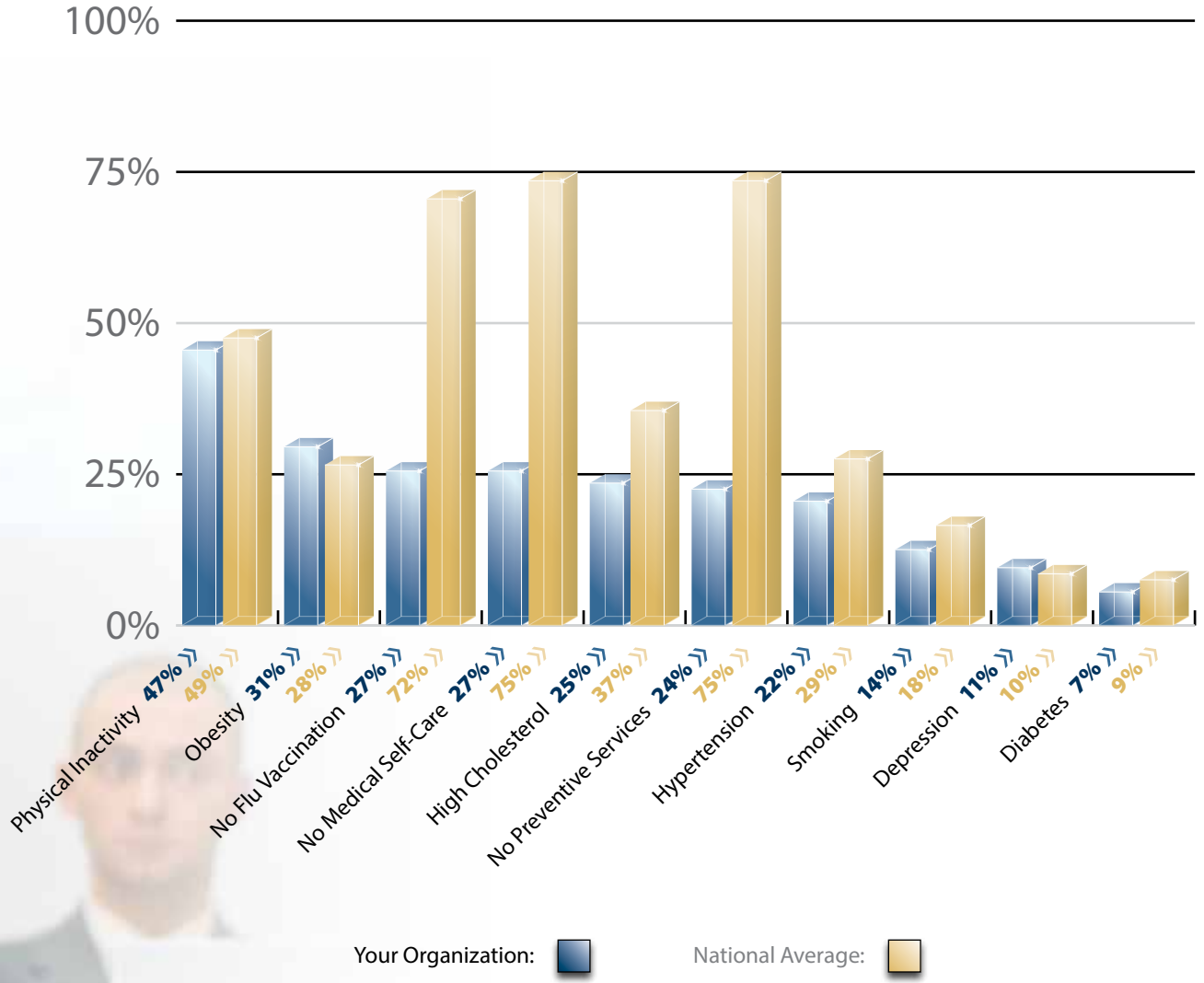




Your Organization's Modifiable Risk Factors As Compared To US National Averages

FIGURE 1-5

Prevalence of Specific Risk Factors // Your Organization vs. USA



*Percentages do not total 100% because some employees have two or more risk factors.