

Survey Findings

# The Road Ahead: Driving Productivity by Investing in Health 2008



## About Hewitt Associates

For more than 65 years, Hewitt Associates (NYSE: HEW) has provided clients with best-in-class human resources consulting and outsourcing services. Hewitt consults with more than 3,000 large and mid-size companies around the globe to develop and implement HR business strategies covering retirement, financial and health management; compensation and total rewards; and performance, talent and change management. As a market leader in benefits administration, Hewitt delivers health care and retirement programs to millions of participants and retirees, on behalf of more than 300 organizations worldwide. In addition, more than 30 clients rely on Hewitt to provide a broader range of human resources business process outsourcing services to nearly a million client employees. Located in 33 countries, Hewitt employs approximately 23,000 associates.

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## Executive Summary

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Results from Hewitt Associates' 2008 survey *The Road Ahead: Driving Productivity by Investing in Health (Investing in Health)* are in solid alignment with the new paradigm of recognizing optimal health as a sound business investment. Of necessity, there is continued universal focus on means to reduce health care costs, and for certain employers, that is the only appropriate and needed focus. However, most employers are looking to the future to assess the health of their employees and dramatically change its impact on productivity. Currently less than a quarter (23%) of employers have a formal health and productivity strategy in place, but 60% more intend to develop that strategy in the next five years.

When viewed in the broader context of health care, Hewitt's recently published *Two Roads Diverged: Hewitt's Annual Health Care Survey 2008 (Two Roads Diverged)* demonstrated employers' intent over the next three to five years to make "significant investments in longer-term solutions aimed at improving the health and productivity of [their] employees." *Two Roads Diverged* combined the findings of Hewitt's 2008 employer survey, *The Road Ahead—Emerging Health Trends*, and 2008 employee survey, *The Road Ahead—Employee Views on Health*.

Based on Hewitt's surveys, employers want to engage their populations with actions and strategies that ultimately improve the health of their employees and positively impact productivity. The future "wish list" includes:

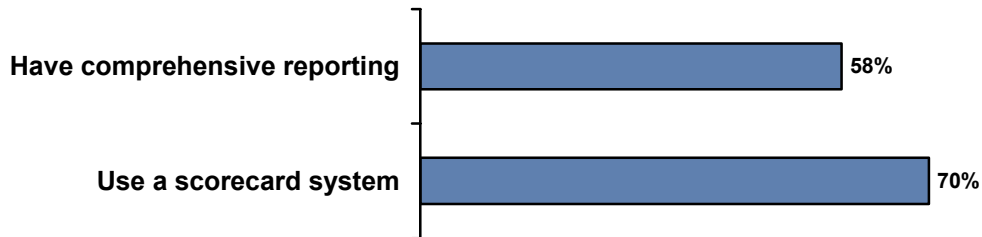
- Increased employee accountability;
- Reduced health risks;
- Tailored effective health management programs to measure employee risk levels;
- Sophisticated health care and health data and measurement tools; and
- Integrated, optimally managed benefits and programs.

In *The Road Ahead—Emerging Health Trends (Emerging Health Trends survey)*, we recognized that employers were approaching 2008 as a year of assessment and planning. The *Investing in Health* survey results suggest that this period of paradigm change with assessment and planning will be extended into 2009. Recognizing the impact of the present economic state and lack of a single, definitive health care cost solution, employers are taking this extended period to consider which pace on the superhighway will best support their long-term health and productivity vision. During this time, however, employers will still continue to scrutinize and work with existing programs and increase their implementation of targeted initiatives—primarily to address health care costs and secondarily to pay far greater attention to health risks. The question becomes: How do employers integrate measurable health and productivity strategies and outcomes successfully with health care cost tactics in ways that best fit their unique business needs?

A key component to a successful health and productivity program is the use of comprehensive analytics and analyses that assess member trends (e.g., participation rates, health risks) and vendor performance. The *Investing in Health* survey participants confirmed that the majority of employers are not receiving and/or utilizing key reporting tools. They do not receive comprehensive vendor reports, nor do they use a scorecard system to monitor program participation and compare vendor performance. Recognizing that more than half of respondents do not receive comprehensive reporting, we caution that an emphasis on process integration without data integration may limit their ability to measure program effectiveness and ultimately may limit process improvement.

The goal of a health and productivity strategy is to drive improvement to the business bottom line. A measurement strategy must always accompany health and productivity efforts. Otherwise, the lack of measurement will significantly impede the willingness of leadership to embrace health and productivity as a business imperative.

### Employers do not:



Program performance, measured in the actual outcomes, is but one of the crucial factors of success. Another is the vital resonance with the employees expressed through their participation and buy-in. Any strategy that ignores employee attitudes, interests, and perceptions will be at risk for less than optimal results.

The random way that “Health Care Happens” requires a transformation in health from its current position as a benefits issue within the corporate benefits agenda to a position as a serious business risk issue in the corporate global planning agenda. Employers have been forced to manage health at the endpoint of risk—health care delivery and cost. In the new paradigm, employers will take an active role in managing health itself as well as the costs of care. The management of health will be segmented along the total health spectrum, from the healthy to the most catastrophic.

Total health and productivity management is a direct contributor to an organization’s long-term viability and overall economic success, both locally and globally. We understand that a comprehensive and effective health and productivity strategy can include distinct components such as health and wellness, chronic disease management, pharmacy, behavioral health, and absence management, as well as measurement and vendor assessment, integration, engagement and behavior change, and communications.

It is critical, as both an employer and a business, to evaluate the direction taken and results in each specific area and at an integrated level. This *Investing in Health* survey report looks at key findings within each of these specialty areas as well as viewpoints on overall health and productivity.

### Key Findings

Key findings emerging from the survey include:

- Employers recognize the value of health and productivity initiatives in meeting stated business goals. Few employers, however, have a formal health and productivity strategy in place right now. Furthermore, employers recognize that absence management is important to their health and productivity strategy, but little action has been taken to date to integrate it into their strategy and initiatives.
- Employers currently measure the direct costs associated with each program but are unable to measure indirect costs or value, such as absenteeism and presenteeism, and do not receive comprehensive reporting that allows them to do so.
- Many progressive ideas are available to employers, such as value-based design (VBD) as it applies to both pharmacy and medical services, but few employers have adopted initiatives at this time. This is an area that employers are considering for future implementation.

- Integration of programs is important to employers in supporting their initiatives, but the survey results suggest that little integration is actually taking place.
  
- Although offered by few employers, on-site services that provide employee convenience and personal interaction are highly utilized and provide a high level of satisfaction in contrast to participation in and satisfaction with more traditional telephonic or other health behavior modification programs.

## Survey Results: Overall Health and Productivity

### Few Employers Have Formalized Health and Productivity Strategies

In Hewitt's most recent health care survey, *Two Roads Diverged*, health care executives responded firmly that their organizations have begun to focus on long-term solutions aimed at improving the health and productivity of their workforce. Clearly, employee health is a primary business issue for employers.

Although employers have recognized the importance of health and wellness and the impact on productivity and business profitability, few employers at this time have developed a formalized health and productivity strategy. Within the next five years, however, we expect to see an increase in more formalized strategies—almost 60% of respondents state they will develop a health and productivity strategy within this time period.

Of the strategic initiatives employers have taken toward addressing health and productivity, the most prevalent is integrating wellness and coaching with chronic disease management. The 35% of employers that already include this initiative understand that a broad spectrum of health exists—from the healthy to the chronically ill—and that initiatives designed to maintain health and reduce health risk can positively affect health care costs and productivity. This type of initiative intends to address the needs of employees at all levels of health risk.

Along with initiatives targeted at health risk, another prevalent characteristic of employers' current strategies is evaluating prescription drug utilization. One-third (32%) of employers have increased attention to quality initiatives that ensure medication treatment aligns with evidence-based treatment guidelines.

### Future Health and Productivity Strategies Will Include Productivity and Absenteeism Measurement

Of greatest importance to employers in developing their strategies is the establishment of a measurement strategy and meaningful metrics that measure not only the effectiveness of the integrated health and productivity programs and initiatives, but also the impact on presenteeism and absenteeism.

Employers also expect to incorporate greater use of absence data to identify individuals in need of condition management, Employee Assistance Program (EAP), behavioral health, and wellness services. With the identification of presenteeism and absenteeism markers to measure success, integrating absence data and the management of absence cases across all areas of health services is increasingly essential.

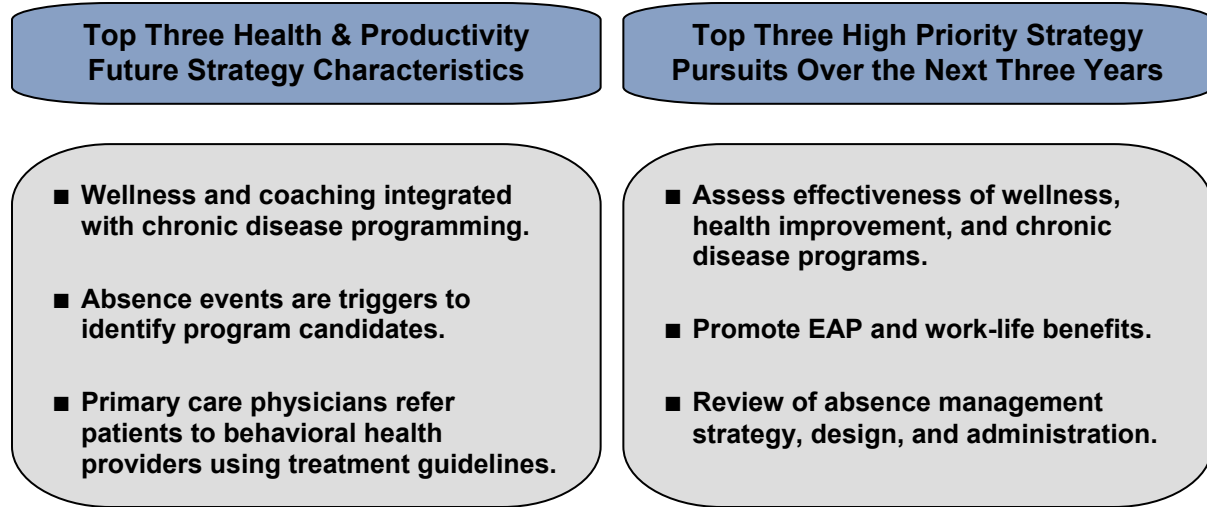


#### Health and Productivity Strategies:

- Recognize optimal population health as a global competitive advantage;
- Examine the population health risk in context of the corporate agenda;
- Incorporate effective health initiatives tailored to varying employee risk levels;
- Integrate processes and goals across benefit programs and more broadly within the organization;
- Utilize meaningful metrics to measure the effects on corporate health (fiscal and engagement); and
- Continually manage and adjust initiatives to meet dynamic business needs.

Employers are not waiting until a formalized health and productivity strategy has been established to take action. Within the next three years, organizations expect to pursue tactical efforts that move them closer to the superhighway of health and productivity management.

Many employers have already implemented wellness, health improvement, and chronic condition management programs and initiatives. These employers will be assessing the effectiveness of the programs and using their findings to guide their strategic direction. To support these ongoing assessment efforts and to facilitate the need for improved strategic measurement, employers expect to pursue greater integration of absence and health data. At the same time, employers will be more heavily promoting their EAPs and work-life programs, recognizing that stress, balancing work and personal needs, and overall mental well-being play significant roles in achieving optimal health goals.



### Measuring Program Effectiveness Is Critical but Poses Significant Challenges

According to *Investing in Health* survey responses, most employers have developed approaches to measure the impact of their strategic and tactical initiatives on health risk and productivity. At this time, however, employers are primarily using financial metrics to drive their assessment efforts. Almost 90% of employers evaluate overall benefit cost changes from year to year as well as the direct change in health care and prescription drug costs from year to year. Less than 20% of employers are incorporating direct absence costs (benefit and/or claim costs) and less than 15% are including both direct and indirect costs of employee absence to measure the success of their health and productivity programs.

*Emerging Health Trends* survey responses suggest that employers expect to utilize risk prediction technology, data analysis, and health risk metrics to assess the success of their health and productivity strategies, all of which require increasing reliance on integrated and comprehensive reporting capabilities. Although there has been substantial growth in the use of data warehousing to integrate data and report program results, there continues to be a gap between reporting and employer measurement needs. More than half of the survey respondents indicated that they do not currently receive comprehensive reporting on their programs.

**Action Ideas**

- Evaluate your organization's current health and productivity state and identify actionable tactics to achieve your long-term goals.
- Ensure your long-term strategy includes meaningful outcomes tied to business results and is supported by a comprehensive measurement strategy.

## Survey Results: Health and Clinical

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### **Employers Offer a Broad Array of Health Programs With Mixed Reviews**

Employers are offering a variety of health-related programs that address the spectrum of health risk—from the healthy to the chronically ill. Generally, these programs fall into five distinct categories:

- **Health Risk Identification and Prevention**—Flu shots, health risk questionnaire (HRQ), and biometrics screening;
- **Consumer Patient/Health Education and Support**—Nurseline, online information and cost tools, and health/clinical advocacy;
- **Health/Behavior Modification**—Smoking cessation, weight management, physical fitness, online health improvement coaching, on-site fitness center, stress reduction, nutrition, and on-site health coach;
- **Chronic Care Management**—Disease management and condition management; and
- **Provision of Health Care Services**—Substance abuse prevention, on-site medical clinic, on-site EAP, and on-site pharmacy.

Of the health programs and services offered by employers, those used to identify and prevent health risks, to manage chronic care conditions, and to provide patient education and support are the most commonly offered. Services offered to identify and prevent health risks as well as some on-site services, however, have the highest participation levels. Interestingly, though, health/behavior modification programs are among the lowest utilized programs and among the programs with the lowest level of employer satisfaction.

As employers focus more on implementing approaches that take aim at improving employee health and wellness, it will become increasingly important to engage employees with programs that are well-utilized and produce positive outcomes. Low participation levels and employer satisfaction rates suggest these programs may not be resulting in the outcomes employers expected.

### **Health Risk Identification and Prevention Services**

The availability of health risk identification and prevention services, such as flu shots and HRQs, are among the most frequent types of programs offered to employees. While employee participation is high relative to other available health programs (30% to 34%), employer satisfaction with the programs varies. Employers offering flu shots and biometric screenings report a high level of satisfaction (reporting satisfied or highly satisfied; 81% and 75%, respectively), while those using an HRQ report low satisfaction levels. Less than half of employers offering an HRQ state they are satisfied or highly satisfied with the program and results.

Incorporating HRQs, biometrics, and other preventive screening data, including immunizations, into a central repository, such as a data warehouse, has proven to be challenging. And, as a result, weak satisfaction rates may be due, in part, to the challenge employers have in actually using this data as part of their strategic health planning. Health services that are provided conveniently and personally, such as immunizations and biometric screenings, offer a trusted interaction and coaching environment that is lacking when taking a Web-based HRQ.

### **Disease/Condition Management Programs**

A large majority (almost three-fourths) of employers offer disease/condition management programs to their populations. However, only a small percentage (10%) of those eligible for the programs actually participate. Perhaps due to low participation rates, only 39% of employers with disease/condition management programs state they are satisfied or highly satisfied with the program.

One of the challenges to engagement in disease management programs, and potentially contributing to low participation and satisfaction levels, is the availability of accurate member contact information. Although disease management vendors utilize a variety of telephone search organizations to assist in this effort, the majority of vendors are still unsuccessful in contacting some members at the moment most integral to successful engagement. Even when good contact information is obtained and outreach is attempted, there remains a low percentage of actual live nurse-to-member engagement.

### **Patient Health Education and Support Services**

Also offered on a wide scale to employees are patient health education and support services. A large percentage of employers (73%) offer nurseline programs, as well as online health information and cost tools. However, the participation rates in these programs are low, and less than half of the employers offering these programs state they are satisfied or highly satisfied with the programs.

### **On-Site Health Services**

Of particular note is the use and offering of on-site health services. While the prevalence of on-site programs and services is low, participation rates for on-site pharmacies and medical clinics are growing. Availability of on-site health coaches is an emerging trend, which is noted by the few employers offering this service. However, these programs and services provide the highest degree of satisfaction among employers offering these services, ranging from 81% to 95%. The low frequency of on-site health services suggests employers recognize the complexity and challenges that can arise with these programs. In fact, over 70% of employers rely on their medical carriers to provide clinical expertise and do not employ medical directors. However, with strong employer satisfaction and participation rates, more and more employers may be encouraged to evaluate the alignment of such on-site services with their strategic goals.

### **Employers Continue to Use Incentives to Encourage Healthy Lifestyles**

The *Investing in Health* survey results support an increasing awareness among employers and employees of the importance incentives play in encouraging healthy behaviors and engaging employees in health and wellness programs. A large percentage (85%) of *Investing in Health* respondents report using an incentive approach to encourage participation in health improvement programs. The use of monetary and nonmonetary incentives, however, is split, with a slightly higher percentage (57%) of employers reporting the use of nonmonetary incentives, such as premium differentials, discounts, and gifts, on a more frequent basis.

### **Vendor Integration Is Critical to Health Initiatives**

Eighty percent of respondents indicate that the value of integrating vendors and programs is important to improve the health of covered individuals. Most of the remaining employers, however, are in either the evaluation or strategic planning phase of integration.

Three out of every four respondents do not use a scorecard system to evaluate and monitor the level of program participation and compare vendor performance. Measuring the level of employee engagement in health management programs continues to present a challenge to most employers. Nearly all employers (92%) interact with relatively few vendors to deliver programs.

#### **Integration Tips**

Successful and effective integration consists of four key components: program, process, vendor, and data.

An employer must focus on all four components independently and as a whole and implement a robust measurement strategy that will prove the efficacy of the integrated efforts.

An emerging trend in integration is the organization of vendor summits. Typically initiated by the employer, vendor summits bring together not only the employer team but also all vendor partners in a forum designed to better understand each partner's programs and perspectives, and to brainstorm effective approaches to removing the barriers to integration. The key to this initiative is for all vendor partners to agree upon consistent metrics for measurement and to develop actions that support and promote integration.

**Action Ideas**

- Assess the value of all of your health and wellness programs by evaluating clinical and financial outcomes.
- Ensure your employee communication approach highlights the value of good health and promotes engagement in health initiatives.
- Create an integrated model and establish vendor summits to identify integration opportunities and formalize those processes.

## Survey Results: Pharmacy

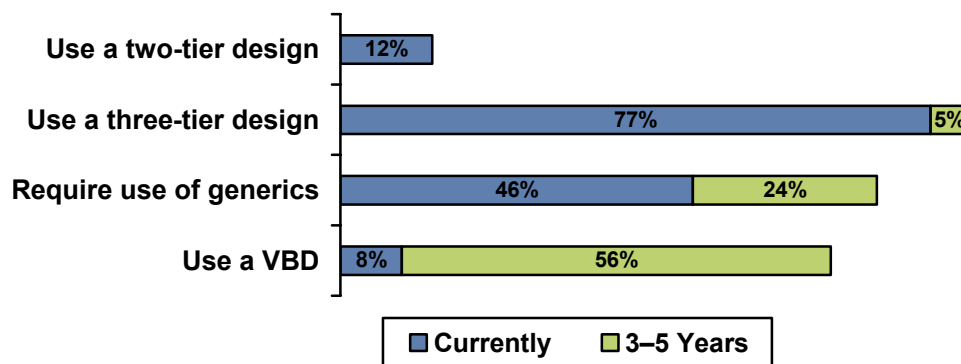
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### Pharmacy Management Initiatives Continue to Grow

Employers report little activity in modifying prescription drug plan design in 2009 but indicate a desire to implement more progressive designs within the next three to five years, indicative of a longer-term strategy focused on employee health and productivity. VBD, the use of therapeutic MAC, and ninety day at retail design approaches are gaining popularity and being considered strategically for 2009 and beyond. Of note, employers also are considering implementation of strategies to improve compliance across traditional and specialty medications in the next three to five years. Additionally, one-third of survey respondents are interested in evaluating drug utilization against treatment guidelines.

Currently, employers report using three-tier design, multi-tier design, and coinsurance approaches for their prescription drug programs with continued movement away from a two-tier design. Survey results highlight employer interest in driving more employees to generic medications by implementing larger differentials between brand and generic cost share. As anticipated, the percent of generic medications dispensed was approximately 58% in 2007 and is expected to continue to increase through 2010. Although, consumer education opportunities exist to move members to the direct generic equivalent, only 46% of survey participants currently have a dispense as written (DAW) rule in place.

### Current and Future Pharmacy Management Strategies



### Innovative Pharmacy Programs Expected in the Future

With little adjustments to strategy and design occurring in 2009, survey results suggest that employers are using this time to develop more long-term strategies that coordinate with their overall health and productivity strategies. Employers are investigating innovative approaches to encourage employees to actively manage their health, particularly through prescription drugs.

One approach that has garnered attention recently is the use of VBD, an approach designed to improve medication compliance. Within a VBD, members with certain conditions, such as diabetes, receive a lower cost share for drugs. Only 10% of employers report current use of VBD within their health and productivity strategies. Half of those are considering the implementation of prerequisites (e.g., participation in a condition management program) in order for the member to receive the enhanced benefits. As this approach can be effective in improving compliance outcomes, 64% of employers currently offering VBD for pharmacy are considering expanding the program to include medical services within the next three to five years.

## **Existing Prescription Drug Purchasing Strategy Is Effective**

Overall, employers' prescription drug purchasing strategies have remained the same over a three-year period, with a slight increase in employer participation in consortium or group purchasing arrangements. Almost 50% of respondents believe their current pharmacy purchasing structure decreases their costs—an improvement over 2006 when only 34% reported that their pharmacy purchasing strategy decreased costs. Of note, however, is a trend towards purchasing prescription drugs through on-site pharmacies. Eleven percent of survey participants offer on-site pharmacies with 50% participant utilization. Of that, 95% of survey participants are satisfied or highly satisfied.

Although minimal changes are expected to occur in 2009, employers recognize the critical strategic components that drive success in their pharmacy program. Almost all employers report that their primary focus is on improving the financial terms of their pharmacy deal, increasing substitution of value drugs, and encouraging patient compliance in the use of prescriptions for chronic conditions.

## **Growing Trend to Improve Pharmacy Benefit Transparency**

A small percentage of employers are currently using specific approaches to improve the transparency of their pharmacy benefit, which is primarily a function of the cross section of employers as the uptake of transparency by larger organizations has been greater than mid-size and small employers. Almost half of employers, however, state that they will be considering transparency approaches within the next three to five years.

### **Action Ideas**

- Assess the value of all of your prescription drug programs by evaluating financial and clinical efficiency.
- Ensure your employee communication approach highlights the value of generics and compliance to prescription medications as this approach can often be your organization's best health care dollar spent.
- Evaluate your prescription and medical spend holistically inclusive of specialty medications, supplies, and administration costs.

## Survey Results: Behavioral Health

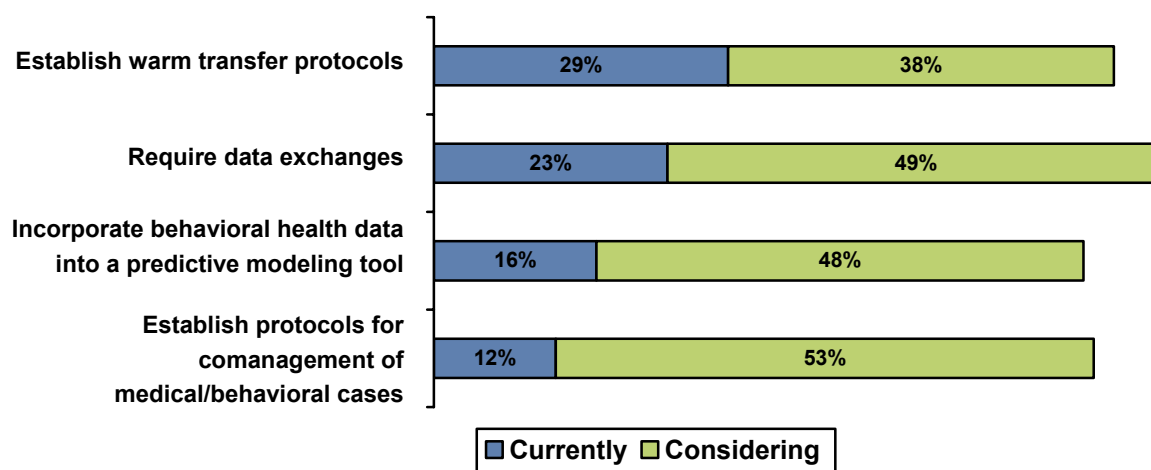
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### Benefit Integration Is Important but Underdeveloped

A majority of survey respondents report that vendor and program integration is important. However, just over half of employers indicate that behavioral health integration with disability, disease management, medical, and pharmacy is very important. Behavioral health issues can play a critical role in employees' abilities to maintain a healthy lifestyle, return to work after a disabling event, or adhere to a medical or pharmacological treatment regimen. If behavioral health issues are left unaddressed, an employer may not achieve maximum outcomes from their health and productivity initiatives.

Proactive identification of behavioral health-related issues, such as stress-related and financial problems, difficulties with workplace relationships, and clinical depression, is critical to ensure that members are able to achieve their health goals. Effective integrated programs are structured to proactively identify behavioral health issues that might be impeding recovery, offer meaningful supportive resources, and ensure members receive the most effective medical and behavioral treatment. Survey results show that approximately one-quarter of employers currently utilize fundamental integrated initiatives such as warm transferring between vendor partners and requiring data exchanges between vendors to support care management efforts. However, few employers (less than 20%) are currently employing screening requirements, comanagement protocols, and behavioral health risk factors within predictive modeling tools to identify behavior-related impediments to health and wellness.

### Health and Wellness Program Initiatives



### Targeted Behavioral Health Initiatives Are Emerging

Targeted behavioral health initiatives are at the beginning stages of implementation for many employers. Most of the participating employers are considering initiatives focused on specific behavioral health needs within the next three to five years. Today, the most frequently offered targeted behavioral health initiative is a depression disease management program. It is not surprising that a quarter of participating employers offer this type of program since, according to survey results, almost three-fourths of employers offer disease/condition management programs.

Although fewer than 20% of employers stated that they currently offer psychiatric disability management and targeted behavioral health pharmacy management programs, almost half of employers indicate they are considering these initiatives for implementation within the next three to five years. Employer responses suggest a growing concern for the management of behavioral health conditions as they relate to both

pharmacy and disability. Managing psychiatric disabilities as well as psychotropic medication to ensure optimal patient outcomes, appropriate return-to-work time frames, and improved employee productivity will require employers to develop initiatives that target these areas.

While a large number of employers (85%) responding to the survey report the use of either monetary or nonmonetary incentives tied to their health improvement programs, incentives designed to encourage employee participation in stress and depression management programs are limited to few employers. Less than 10% currently incorporate any incentives to encourage participation in stress and depression management programs. Over two-thirds of employers state they are not considering any incentive strategies related to behavioral health conditions.

### **Some Employers Are Repositioning Their Employee Assistance Programs**

Almost two-thirds of employers state that their EAP is positioned as a resource within their employee benefit package. An EAP can provide a broad array of stress, family, personal and workplace relationship, mental health, and addiction resources and services, all of which can aid in improving individuals' abilities to be productive and achieve their health and wellness goals. Although responding employers report an increased focus on health and productivity, only 10% report that their EAP is positioned as a health and/or wellness resource.

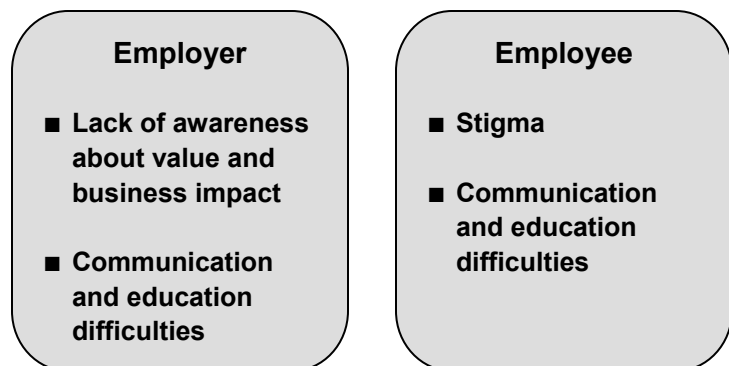
### **Barriers Continue to Present Obstacles to Addressing Behavioral Health Needs**

The focus of many health and productivity strategies has historically been on initiatives that target specific medical conditions such as diabetes. Behavioral health conditions that range in severity from stress and anxiety to clinical depression are very often comorbid to these highly managed medical conditions. They can slow patient recovery and impede patient ability to maintain their prescribed treatment regimen. Over half of survey respondents indicate, however, that their health and productivity strategies do not fully embrace behavioral health due to the lack of awareness of the value of behavioral health and its impact to the business.

Employers also report that stigma continues to present an obstacle for employees in addressing their behavioral health needs.

While employers recognize that communication and engagement are critical elements of an effective health and productivity strategy, according to survey respondents, communication and education represent barriers for both employees and employers. Overcoming stigma, as well as existing communication and education challenges, is critical to ensure employers are able to achieve their long-term health and productivity goals.

### **Top Two Barriers to Addressing Behavioral Health Issues**



Of particular note is the low percentage of employers stating their concern about the quality of behavioral health networks. This data suggests that employers and employees are generally comfortable with the quality of the professionals who contract with behavioral health networks. Awareness and stigma are driving the lack of attention to behavioral health needs, rather than confidence in the treatment provider.

## **Clinical Outcomes Emerging as an Element of Program Evaluation**

Over 75% of employers measure their behavioral health program through utilization and cost metrics, which have been the standard of measurement for many years. Within the last two to three years, several behavioral health organizations have developed innovative tools to measure clinical outcomes of behavioral health treatment, directly aligned with the market trend to focus more heavily on measuring outcomes. While the measurement of behavioral health treatment outcomes is presently in an immature state, almost one-quarter of employers indicate they are evaluating clinical outcomes related to their behavioral health programs. A small number of progressive employers (15%) have begun to measure their behavioral health program using more indirect measures of effectiveness, such as productivity, absence, disability, and overall health care costs.

### **Action Ideas**

- Position your EAP more predominantly as a health and wellness resource.
- Integrate behavioral health data within your organization's health and productivity measurement process.
- Develop integrated approaches that proactively identify behavioral health issues and address comorbid conditions.

## Survey Results: Absence Management

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### Employers Plan to Develop Formalized Strategies to Manage Absence

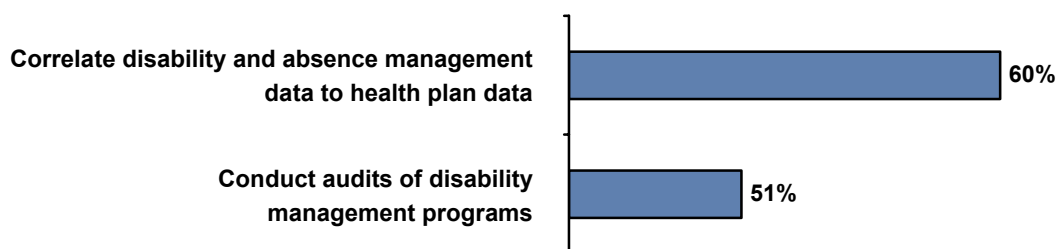
Consistent with employer attitudes toward formalized health and productivity strategies, three-fourths (74%) of employers do not have a formal absence management strategy in place. Nonetheless, two-thirds of employers expect to develop their strategy within the next three to five years. Taking action to address the impact of health on absence, over two-thirds (68%) of employers intend to include absence management as part their health and productivity strategy.

In contrast, however, a large portion of employers (76%) report the presence of a formal medical absence strategy. This finding suggests that employers are focusing heavily on managing medical absences and have defined strategies and approaches to address incidental sick, short-term disability (STD), and family medical leave (FML) cases. Strategies to manage medical absence are driven by philosophical approaches that cross a continuum ranging from meeting minimum regulatory standards to full coordination with health and wellness programs. Although these philosophies are reported by a similar percentage of employers, it is interesting to note that only 19% report their strategy is supported by a philosophy that encourages coordination of medical absence with health and wellness programs. As employers continue to expand their health and wellness efforts in requiring vendor integration, the next logical step is involving their multiple vendors to collaborate on facilitating employee engagement.

### Growing Interest in Collecting and Using Absence Management Data to Set Strategic Direction

Employers have generally viewed and managed absence programs as separate and distinct from their health care initiatives. As a result, the most prevalent way organizations currently influence strategic direction is by collecting and monitoring disability claim data by frequency and duration. As employers recognize how health initiatives can affect both the direct and indirect costs of absence, the *Investing in Health* survey results note growing interest in collecting and using absence management data more holistically to set strategic direction both within the absence program and to guide the organization's overall health and productivity strategy.

### Employer Absence Management Data Strategy Over the Next 3–5 Years



Eliminating existing program management silos and implementing a fully integrated approach to health and productivity strategies that includes absence management will be critical to the success of an organization's long-term goals. As a starting point, absence information associated with an STD program—cuts of the data that can be accessed by gender, age, geographic location, and diagnostic category (primary and secondary)—can provide a view of organizations' active employee populations, which helps identify health care opportunities and productivity challenges.

## **Change in Absence Costs Driven by Increased Utilization**

Previously implemented strategic and tactical initiatives focused on managing absence seem to have made an impact on the costs of many employers' absence programs. Overall, more than 50% of employers do not expect a change in the current cost of their incidental sick, STD/salary continuation, or long-term disability (LTD) benefits from the prior fiscal year.

The remaining employers, however, do expect their absence costs to change. Utilization is the most frequently identified driver for the cost increase or decrease for each absence benefit. One-third of employers expect their cost associated with sick, STD, or LTD to increase, while 34% of employers expect FML utilization to increase. As many states are considering expanding leave laws requiring sick pay and/or paid leave for an employee or family health care need, utilization of leave of absence (LOA) and FML time may increase.

Cultural and age diversity will result in more segmented employee populations—impacting utilization of absence benefits. Much of this utilization will be driven by health issues. Ongoing risk assessment combined with the development of target programs to prevent medical absence and provide support in the event of a medical absence will be needed to manage the expected increase in time lost from productive work.

## **Consistent, Standard Absence Measures Are Absent**

As employers monitor the success of their absence strategy, both as a distinct program and as an integrated component of their health and productivity strategy, utilizing a meaningful measurement strategy is critical. According to the *Investing in Health* survey results, there appears to be no standard measure of absence utilized consistently by a majority of survey participants.

In our analysis of employer responses to this survey's "Health and Clinical" questions, we noted that few employers have implemented tools and resources to measure the impact on absenteeism, impact on productivity, absenteeism rates, and absence/leave duration as they relate to the employer's health and productivity strategy. Employers do anticipate, though, that they will incorporate these measures into their strategy as it develops over the next three to five years.

## **Integration and Formalized RTW and Attendance Management Approaches Are on the Horizon**

Overall, employers' current absence management program components are highly utilized in four strategic areas:

- Integrated STD and FML (73%);
- Formalized return to work (RTW) for occupational disability (63%);
- Formal attendance management (56%); and
- Formalized RTW for nonoccupational disability (52%), which continues to lag occupational disability RTW programs.

Although there is little activity planned for 2009, results are consistent with the long-term health and productivity strategies represented in the survey—including the coordination of nonoccupational absence programs with behavioral health and condition management.

Coordination of EAPs with occupational absence programs is a lesser consideration compared to coordination with nonoccupational programs. This difference may be associated with the silo-ing of benefit programs within an organization—benefits and risk management. Occupational programs tend to focus management on workplace injury exclusively. The organizational silos and emphasis on injury management may limit value recognition available through coordination with programs such as EAPs.

Adoption of paid time off (PTO) plans as an absence management strategy appears to have slowed, as 40% have the program and 40% have no interest in this design over the next five years.

Program integration for many employers has evolved on a continuum, beginning with STD and LTD and then adding FML and formalized RTW programs. The integration has focused on the tactical processes of managing these absence benefits in parallel and improving administration and cost. Process integration is progressing with the addition of condition management and/or behavioral health and EAPs as the next generation. As multiple vendors are delivering the various programs, integration of processes across vendors starts with a clear directive from the employer, which is usually delivered at a vendor summit, to engage all participating vendors in the employers' vision and to become familiar with the range and scope of services offered by the partnering vendors. We have found the vendor community to be willing and creative partners in this effort, but it requires a clear vision and well-executed plan designed and overseen by the employer to fulfill the vision of integration.

#### **Action Ideas**

- Consider utilizing disability as a point of employee education and engagement for EAPs and condition management.
- Examine the tracking of incidental sick absence in the context of business results and expand metrics to measure the impact on health and productivity.
- Review STD incidence and the leave processes for effectiveness and compliance.

## Survey Results: Vendor Performance Assessment

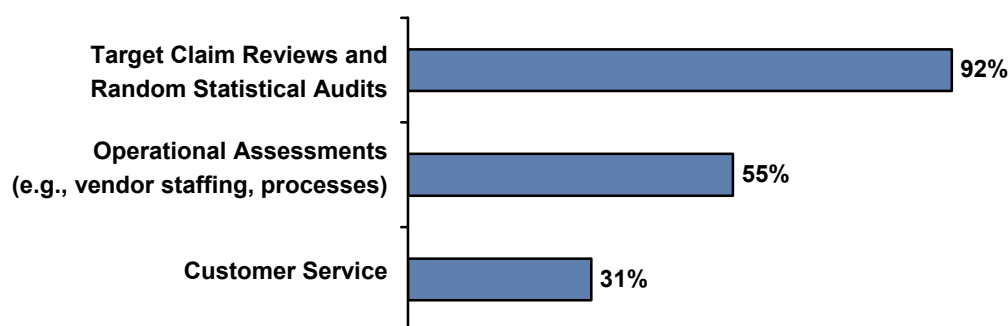
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### Program Assessment Key to Employer Measurement Strategies

The use of auditing tactics to measure program and vendor effectiveness aligns very closely with employers' focus on measurement as an integral component of their health and productivity strategy. Survey results suggest that employers continue to struggle with the ability of their vendor partners to efficiently and accurately implement and administer their programs.

Claim audits continue to drive the majority of auditing activity, with more than 60% of employers stating that they conduct audits of some or all of their claims-paying vendors.

### Current Employer Vendor Assessment Approaches



Almost 90% of employers either do not conduct clinical audits or audit less than 25% of their health, disease, and disability management vendors. It is expected, however, that this nontraditional aspect of auditing will experience growth over time as employers develop approaches to monitoring the effectiveness of their health and productivity initiatives and move to greater integration of vendor partner processes. Whether or not a vendor partner is delivering quality clinical oversight and management will affect an employer's ability to deliver on its health and productivity goals. Almost half of *Emerging Health Trends* survey respondents perform an independent evaluation of savings and performance related to guarantees.

### Due Diligence and Prevention Driving Claims Payer Audits

Seventy percent of participants that conduct audits of their claims-paying vendors do so to assure senior management that a due diligence process has been performed or to proactively identify claim processing or service issues. These results are not unexpected due to the heightened attention to results-oriented program delivery as well as continued expectations of accuracy and efficiency by business leaders. Many employers conduct claims payer audits for vendor management and vendor scorecarding purposes.

Best practices suggest claims payer audits should be performed every two to three years. Of those employers that conduct audits for all or some of their vendors, 71% are completing their audits within the recommended time frame. However, 21% indicated they conduct audits only at four- to five-year intervals with the remaining 8% conducting audits only when obvious issues surface.

One-quarter of employers surveyed conduct clinical audits or health, disease, or disability management vendor assessments. Of these employers, 68% indicate an improvement in vendor performance. This is a significant premise of auditing routinely—improvement of performance and measurement to best practice standards. When no improvement is achieved, however, employers must consider alternatives that best fit their objectives.

When asked why audits were routinely conducted, respondents specified one or more of six key objectives:

- Assure business leadership that a sound due diligence process is in place;
- Identify claims processing or service issues early;
- Demonstrate testing of controls as required by Sarbanes-Oxley regulations;
- Monitor poor performing vendor partners;
- Create metrics for overall vendor performance scorecards; and
- Use results as a benchmark for services in the marketplace, and if appropriate, for bidding and selection.

Audits generally invoke thoughts about claims payment, claims customer service, and financial-related activities, but as health and productivity programs and initiatives become more meaningful to business results, it is expected that audits focused on process and clinical outcomes will become more widely utilized.

**Action Ideas**

- Review auditing strategy, sequence of audits, and vendor partner performance.
- Create or examine existing scorecards that incorporate audit results as ongoing measurements of performance.
- Consider nontraditional performance assessments for health and productivity programs and initiatives.

## Conclusion

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The *Investing in Health* survey results highlight the business need to manage improvement of health and well-being with a positive impact on the bottom line through better productivity. The primary requirements are actionable analytics and successful integration, as well as disciplined management of vendor partners charged with mitigating population health risks while sensitively addressing individual needs.

In order to succeed, employers need meaningful information about their covered populations (employees and dependents). Actionable analytics require accurate and timely program participation data, health risk metrics, clinical outcomes reporting, and participant engagement measures evaluated at set periods over time. Data integration of numerous sources is foundational to measure success at aggregate, business unit, individual, and vendor partner levels.

Health care cost escalation continues to challenge benefits and human resources executives to use all means available to ensure that the right care at the right time is provided to their population at the best possible price and with the highest level of quality. At the same time, the emerging recognition of population health as a significant business risk challenges all employers to develop a broader strategy of improving health and productivity in the manner that uniquely fits their business needs.

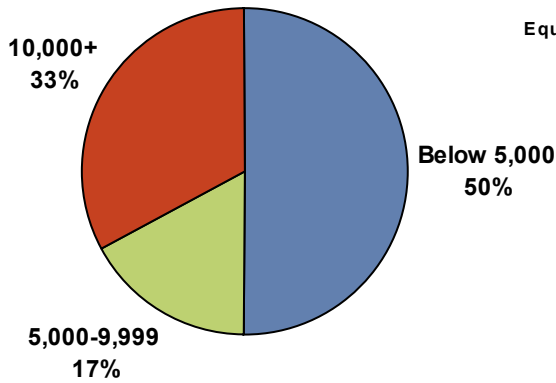
In this new worldview, benefits and health improvement initiatives are sound business investments in what is emerging as the extraordinary global competitive advantage: optimal population health—an entirely new paradigm that transcends geographic, cultural, and corporate boundaries.

# About This Material

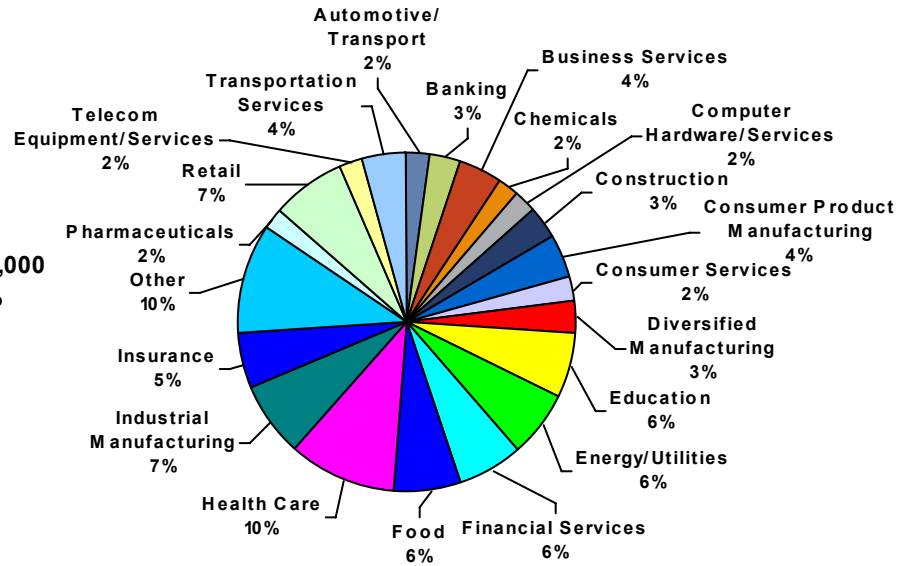
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This year, 248 benefit managers responded to our *The Road Ahead: Driving Productivity by Investing in Health* survey questionnaire. Survey respondents collectively represent nearly 4.4 million employees from a broad spectrum of industries. Their responses were collected in Spring 2008 and reflect current health and productivity trends and likely strategies for the next two to five years.

**Number of U.S. Benefit-Eligible Employees**



**Industry Profile**



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