What is a Healthy Employee

WORTH?

Lost productivity is enormously expensive—and business leaders know it. But actually calculating its cost can be an exercise in frustration. How is this hidden heavy affecting your organization, and what are you doing about it? Here's a hint: It's not just an HR issue anymore…

By Wendy D. Lynch, PhD

What is a healthy employee worth? Until recently, researchers would most likely answer this question in terms of saved medical costs. A healthy employee with few health risks spends less money on medical care due to fewer chronic illnesses and avoided serious health events. This story alone is quite compelling—employees with multiple risk factors can cost thousands of dollars more than low-risk employees, on average. Furthermore, as our population ages, the difference will grow substantially.

Despite such evidence, many employers still consider poor employee health to be a fringe issue, not a true business issue. Health care costs are a single (though large) line item in a large benefits budget, inside the multifaceted human resources (HR) cost center. Although corporations recognize hiring, firing, providing benefits, and doing performance evaluations as necessary functions, HR is not usually considered part of a company's core business. "Real" business is where the money gets made. HR is a necessary cost of doing business.

In this context, medical costs are something to be controlled and managed, so benefits budgets stay reasonable. After all, medical coverage is an expense, like providing parking, vacation, and life insurance. In essence, following the same logic, employees are a necessary expense, too. They're needed to get things done, but come with a large price tag.

Without realizing it, the medical cost focus of health promotion research may have perpetuated a perception of health as extrinsic to business. If high medical costs are the primary outcome of poor health, then businesses can restructure benefits (or stop providing health insurance) to make the problem go away. Besides, high health care costs may not occur for years, so decision-makers often avoid investments in good health (which just add to their expanding budget) in the short term in exchange for a potential return in the benefits budget later. But the decision-makers are missing something.

The Secret Side of Sickness

As strange as it may sound initially, medical costs are not the primary outcome of poor health. They are an artifact—a secondary outcome. Poor health leads to symptoms and clinical outcomes that lower functionality and increase the need for expensive care. The same symptoms, clinical outcomes, and lowered functionality also interfere with a person's ability to perform at a high level in the workplace. The truth is, healthy employees not only cost less in medical care, they also are more functional at work, absent less often, experience fewer injuries, and arrive back on the job more quickly after they do get injured. You can't get much more "core" to business than that.

Medical costs are complex, and difficult to use as an indicator of overall health, let alone as a business outcome. While we all understand that some medical costs result from an individual's behavioral choices, the truth is never that simple. Lung and mouth cancer often (but not always) indicates use of tobacco, traumatic head injuries may indicate lack of seatbelt use or safety helmets, and many heart attacks could have been prevented with appropriate diet and exercise habits. But most medical expenses cannot be attributed to a single, direct cause. Furthermore, we believe some costs are "good" costs because they prevent higher costs in the future. Examples include appropriate diabetes care, use of cholesterol-lowering and asthma drugs, and many more.

Considering all of this, it's safe to say that only focusing on medical costs as the highest priority health outcome will lead to a predictable tug-of-war when it comes to investing in solutions. Do these questions sound familiar? "If I am trying to reduce costs, why are you asking me to add costs?" "Is the increase in prevention costs and drug costs really that much smaller than what it would cost to treat the eventual outcome?" "If diabetes treatment costs are considered the negative outcome of not managing obesity and exercise, how can they also be considered a good investment cost when we turn our attention to disease management?" All of these are legitimate questions, without straightforward answers.

Value Check

The problem lies not in the connection between health and business outcomes, but in the metrics we have chosen as our indicators. As we have seen, a focus on medical costs alone marginalizes health as an HR issue rather than a business issue, and leads to a mindset of reducing costs rather than investing in solutions.

What's being missed in this thought process is that the value of a person to an organization extends beyond any single outcome or cost—medical or otherwise. Although the term has become widely used in multiple contexts, the notion of human capital is reflective of overall employee value. Human capital refers to the many abilities and resources an employee brings to the organization including skills, experience, attitude, vitality, and physical and mental effort. The notion of human capital proposes that a company can invest in its "humans" to increase their abilities, and thus get a return on human capital investment. Usually companies think of such invest-

"A focus on medical costs alone marginalizes health as an HR issue rather than a business issue, and leads to a mindset of reducing costs rather than investing in solutions."

"The latest productivity research indicates that individuals with multiple risk factors are absent more, injured more, and return to work more slowly than individuals with fewer risk factors."

ments as training, new technology, or organizational aids. The organization that best leverages its people has a distinct competitive advantage in the marketplace.

Making health a core business issue requires core business outcomes. Poor health doesn't just add medical dollars to

the benefits package. Poor health interferes with one's ability to do work and be at work. Poor health diminishes work capacity. Poor health erodes human capital. Conversely, as individuals move along the continuum from illness to wellness, capacity and ability to work improves. As such, prudent investments in good health are investments in human capital.

Performance Boost

While medical costs are a concern to HR, most operational managers usually worry about work performance. Consider the relevance the following questions have on worksite operations. What if all workers had two fewer days absent? What if an employer could get four percent more effort from its workers? What if we could reduce workers' compensation costs by half? What if we could actually reduce the number of workers we need, because the employees we have are focused, on-task, and on the job?

These outcomes are not hypothetical. The latest productivity research indicates that individuals with multiple risk factors are absent more, injured more, and return to work more slowly than individuals with fewer risk factors. A University of Michigan study of Xerox employees calculated that 85% of workers' compensation costs could be attributed to excess risks (beyond the lowest levels of risk). A StayWell study indicated that individuals who participated in health management programs reduced their use of disability benefits by several days per case. The value of the combined loss of effort from sickness absences, disability, and workers' compensation far exceeds the difference in medical costs between low and high-risk employees.

Further research indicates that the loss of effort from lowered functionality at work often exceeds the more obvious loss of effort when people miss work. Findings from a series of studies of Bank One employees show far greater loss of work output from diminished quality and quantity of work when present (sometimes called "presenteeism"), than from occasions when the employee is absent. Harvard studies show similar findings on the impact of chronic illnesses on absence and performance.

Measuring Productivity—Start with Absence

The most obvious indicator of lost productivity is absence. If an employee misses work due to illness or injury, there is almost always a business consequence. At the very least, a salaried worker is delayed in accomplishing work he will make up later in the week. But more likely the worker will accomplish less that week, and perhaps interfere with team members' progress. In other jobs, absence will require the use (and payment) of a replacement worker who may not perform as well. Remember how often your class accomplished as much with a substitute teacher as with the regular teacher? At worst, the absence comes on a day where the result is a missed deadline or blown opportunity.

While the exact consequences of absence vary from business to business and job to job, few would argue that having regular workers on the job more often helps business. If excess absence creates significant business costs and consequences in your company, it is possible that lost productivity should be as big a concern as medical costs. To investigate, ask managers in your organization what happens when their employees are absent (not vacation, but an unscheduled absence due to illness). Do they pay another worker? Do they overstaff to cover absence? Can they estimate the value of lost effort to the team, department, or company? Even general answers can help.

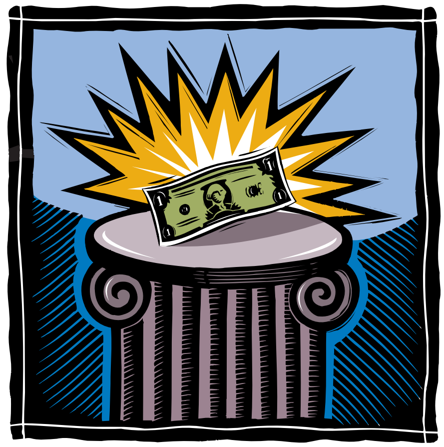
Next, find out whether there are records of absenteeism in all or part of your company. Ask whether this data is kept in a format that can be analyzed easily. If absence data is available, start with some basic questions: What is the average number of absences? What proportion of all absences are incurred by the 10% absent most often? What departments have the most frequent absences?

If no official records exist, consider looking at health risk appraisal (HRA) data (many HRAs ask people to recall the number of times they have been absent). The advantage of HRA data is that absences can be compared across the categories of illness and risk reported by the respondents. Knowing what risks and illnesses produce excess absence in an employee population helps in estimating which causes produce the greatest business consequences.

If no indicators exist, consider using published information from another company as a basis for estimating the productivity value that a company could be losing. A few graphs that demonstrate potential loss can also help. "If we are similar to Bank One, we can expect that we are losing 500 man-hours a week of productivity from absence due to illness." If the estimate shows considerable loss, it can be used to justify future measurement of absence and performance loss.

Measuring Productivity—Loss of Performance on the Job

There is no perfect, general indicator of productivity that applies to all people in all industries. But every population of



workers has critical performance elements that, most likely, health will affect. Different jobs require different sorts of effort applied in different ways. Computer programmers need to think clearly, pilots and lifeguards need to stay alert, customer service representatives require patience and clear communication, and package loaders need strength and endurance. Jobs require mental, physical and social abilities in varying degrees. Some require speed, others precision. In some jobs it takes years for employees to become proficient, in others it takes minutes.

Some companies measure productivity directly as part of performance evaluations. Bank One and American Airlines analyze productivity of call center workers using call-tracking data. FedEx tracks movement of packages, injuries, and accidents. In these cases, relevant business metrics already exist. Combining these with risk and illness data provides powerful illustrations of the business consequences of illness. For instance, researchers have now demonstrated the direct correlation between pollen counts and performance in allergy sufferers.

Lacking performance metrics from the business directly, many companies use self-report tools that ask individuals to report the degree to which specific factors (such as symptoms) interfere with their ability to work. Several different measurement tools are available and have been reviewed in *Measuring Employee Productivity: A Guide to Self-assessment Tools.* Each tool has questions focusing on slightly different aspects of performance. Some tools actually ask about social interaction (e.g., how much has your pain limited your ability to be patient with coworkers?). Others ask about speed or accuracy of performance. Many ask about general energy level and how much they got done compared to usual.

While productivity measurement is a relatively recent endeavor, studies indicate that self-report tools are reliable, valid indicators of performance constructs and (initial results indicate) correlate well with more objective performance metrics. Several studies scheduled to be completed this year will further our understanding of tool validity and implications.

Promoting Good Health is Promoting Strong Business

Proof of the connection between business and health is closer than ever before. But to have immediate relevance, our outcome metrics must match the outcomes that operations managers worry about every day in conducting business. If healthy workers get the job done better, faster, and cheaper, it will matter. Practitioners and believers in health promotion have made the case that healthy behaviors save medical dollars in the long run. However, the medical cost argument has limited relevance outside Benefits and HR. Soon, line managers will understand that their team performance—and their bonuses—reflect the health and well-being of team members. Anything that affects getting the work done matters. Perhaps it will give a new meaning to the term "healthy paycheck." ☆

ABOUT THE
EXPERT: Wendy B. Lynch, PhD

Dr. Wendy Lynch is the Executive Director of The Health as Human Capital Foundation and Vice President of Strategic Development for HCMS, Inc. Both companies are part of the triad of companies known as the HCMSGroup—dedicated to providing better information for better decision-making in health care and business.