

Building Your Wellness Budget

By Joseph A Leutzinger, PhD



For years there was talk about doing health promotion programs at no cost to the company. Ask yourself if there are other departments in the company that operate on no budget. The answer is no. At the very least, budgets in some departments include staff, travel, and some discretionary money. Like a small business, it is completely acceptable to grow the business or department over time. However, even small businesses operate on loaned money versus no money.

Therefore, as practitioners of viable programs, we need to focus attention on three areas of budgeting. These include: **1) budget principles; 2) budget justification; and 3) budget sustainability.** In this article, these three aspects of the budgeting process will be explored in detail.

Budgeting Principles

Preparing and controlling a budget is critical to the success of a program. Depending on the size of the program, a worksite health promotion practitioner may have full budget responsibility or may need to work with someone within the company who has budgeting expertise and responsibility. Regardless of the situation, the health promotion practitioner should be familiar with the company's budgeting process as well as standard budgeting principles.

Health promotion practitioners are likely to be faced with one of two distinct situations when planning a budget. While they have similarities, there are philosophical differences between them.

The first one, top-down, may be the least desirable, but likely the most common budget planning process. The main premise behind the top-down approach is that the health promotion practitioner is given a finite dollar amount and then told to run their operation within that defined limit. As you can quickly determine, this budgeting process creates questions, such as: Which programs are most important? Should I keep the long tenured programs that keep going up in price? How do we fund new initiatives? Do I deliver the program, hire staff, or worse yet, keep the current staff?

Many organizations using this top-down approach are faced with growing expenses along with lower budgets over the years.

The other common budget planning process is the bottom-up approach, or sometimes referred to as the zero-based budgeting. The main principle behind this process is that the health promotion practitioner is expected to submit a budget itemizing the program offerings. On the surface, practitioners may prefer this approach, however, it also raises some difficult questions, such as: How much is too much? There's the fear of leaving out an initiative

because you are concerned it will not be approved, but the outcome is unknown if never presented. On the other hand, proposing too large a budget will possibly bring more scrutiny on all components of the budget. Choice of initiatives is critical. The budget justification section will provide some advice on how to make these decisions.

The practitioner using the bottom-up budgeting process must also be prepared to answer the question why these initiatives are proposed—is it popularity, senior management preference, risk prevalence, projected cost return, or some other reason. Careful consideration needs to be placed on the reasons behind the program proposals.

Both of these budgeting formats can be classified according to two other categorical breakdowns. Both the top-down and bottom-up approaches can be further divided into functional and intervention areas. O'Donnell and Ainsworth (1994) provide more detail on these breakdowns. In short, functional area expenses include grouped expenses for facilities, personnel, and programming. An intervention-area budget separates out costs related to topical areas such as risk factor or chronic health condition.

The final categorical breakdown to be mentioned in this section is the difference between fixed and variable expenses. Fixed expenses are known, consistent costs incurred by your department. Examples of fixed expenses include fixed maintenance costs or leasing payments.

Variable expenses are those items in your budget that do not stay the same every month. For example, providing materials on-demand will generate a variable cost for replenishment as well as other program support supplies or mailing costs. Determine your organization's budgeting requirements, then seek out internal and external assistance prior to preparation of this critical annual project of budget preparation. Practitioners with budgeting responsibilities are encouraged to review other sources for additional knowledge or to begin gaining a general understanding of budget principles. More information on these budget types and other budget principles can be found in health promotion or business resource books.

Knowing and following stated budgeted principles is important. However, to health promotion practitioners the reality is that your budget responsibilities are only one-third completed. After the first year, budget justification becomes an ongoing commitment requiring skills and effort.

Budget Justification

Every program is bound to face the question or situation of budget justification. Questions like: Why should your budget be renewed? Can you justify last year's budget? Why should your department be given more money?



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These are all questions that, when asked, practitioners should be prepared to answer. There are three strategies practitioners should be familiar with that may help with budget justification.

Program planning is related to budget justification. Ensuring your program can provide some short-term and long-term results is the first strategy. Planning programs that produce results at different intervals will allow practitioners to always have some data to present to management. For example, medical self-care, pre-natal programs, and flu vaccines are just some examples known to produce relatively short-term results, whereas cost outcome savings from risk factor reduction and exercise programs are more likely to produce long-term outcomes. Rotating these programs or the level of emphasis and resources will avoid the situation where no data is presented for three plus years. Providing interval results requires proper planning, but can be an effective budget justification strategy.

The second strategy consists of securing an agreement from management concerning when cost justification data will be presented. If using this strategy, it will need to be presented during the program planning proposal phase.

This decision needs to be well documented and periodic reminders may be necessary. Using the third strategy, along with this second strategy, may be useful. In fact, combining strategies may be needed in many organizations.

The third strategy for budget justification involves the sharing of data on a frequent basis, perhaps monthly or quarterly. The expectation from this approach needs to be clear from the onset. Compelling cost justification data will not be part of every monthly or quarterly report, however meaningful process evaluation data, along with forecasted results and projections, could be components of these reports. Consideration should also be given as to when the high quality cost savings data will be presented. In other words, the practitioner would either want to highlight these significant findings or announce them ahead of time so ample attention is given to them. Practitioners may also want to consider the timing of presenting the high quality cost savings data. For example, highlighting this data before the annual budget approval process may be a smart strategic decision.

Budget Sustainability

The final area to discuss concerning budgeting aligns with budget justification, but takes an offensive position—we

will call it budget sustainability. The term implies keeping your budget. While this is important, the focus of this section will be on strategies you can use for possibly increasing your budget. Let's look at three strategies that may help a program practitioner expand their budget.

All organizations have "hot" issues come up. In talking to seasoned veterans in some industries, they will tell you that certain issues cycle through at periodic intervals. A typical scenario may go like this: A "hot" issue surfaces, resources are dedicated to it, the issue is reduced in magnitude and/or severity, resources are dedicated elsewhere, the problem re-surfaces due to lack of attention and resources again are rallied.

Most, if not all, of these "hot" issues have health implication associated with them. Using your public health and program planning knowledge, health promotion practitioners may be able to make a case for taking a "hot" cyclical issue under their domain. Working on having resources consistently dedicated on an annual basis, once the problem has been reduced, requires that a sufficient case and historical examples be used. Like any strategy, it may not always work, but at times and with certain issues it may be worth pursuing.

A second strategy for budget sustainability or increasing your budget is to target inefficient programs that are decentralized or have shared or unclear reporting authorities. For example, flu shot vaccines in a multi-site company in which every site manages their own vaccines, may be a program worth formally centralizing. By using purchasing power and looking for other cost efficiencies, a health promotion practitioner may be able to use the savings to provide other programs.

The third strategy for sustaining or increasing your budget may be viewed as the opposite of the second strategy. Integrating the health promotion program with another department or major company initiative, while possibly decreasing your overall control, may increase resources dedicated to the program and enhance the overall exposure or credibility of the program. For example, becoming part of or more aligned with benefits, operations/manufacturing, or safety, may accomplish this strategy of budget sustainability and possibly growth.

The Bottom Line

It is critically important for practitioners to be intimately familiar with their organization's corporate culture, especially concerning budget planning. Knowing the culture will help the practitioner select a strategy or a hybrid that will prove successful within their company.

We encourage practitioners to also be familiar with the various aspects of budgeting, realizing that some of these aspects involve more than just balanced columns and program intervention costs. While budget preparation is a crucial aspect of budgeting, taking budget justification and sustainability into account will likely help practitioners grow and evolve their current programs. ★

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In January 2005, Dr. Leutzinger founded Health Improvement Solutions. As Principal of Health Improvement Solutions, he develops strategic and evaluation plans, as well as integrates human capital related functions for organizations, assists organizations with identifying the right health improvement products for their program and conducts worksite field research projects.

In June of 2003, Dr. Leutzinger was named the President of the Academy for Health and Productivity Management, the teaching division of the Institute for Health and Productivity Management (IHPM). Today, as President, he is responsible for setting and overseeing the direction of the Academy and delivering the various training components including live and web-based training sessions through expert faculty.

From February 2003 through December 2004, Dr. Leutzinger joined WELCOA as a senior consultant, and was responsible for developing the consulting division of WELCOA.

Prior to joining WELCOA, Dr. Leutzinger was the Director-Health Promotion at Union Pacific Railroad where he assumed responsibility for the development, delivery and evaluation of the company's health promotion program. Under his management UPRR received nine national awards and became one of only two companies to be a three time recipient of the C. Everett Koop Health Project Award, as well as a three time recipient of the gold level certification from the Wellness Council of the Midlands. In 2001, Union Pacific was the first large employer to receive the Platinum Level Award from the Wellness Councils of America and also was honored with the Health and Productivity Leadership Award from the Institute for Health and Productivity Management.

In 2004, he co-edited *The Platinum Book: Practical Applications of the Health & Productivity Management Model*, published by the Institute for Health & Productivity Management

Dr. Leutzinger has written more than 20 articles and chapters on worksite health promotion topics and given nearly 150 lectures and presentations on worksite health & productivity related issues at international, national and regional conferences. He is a Fellow with the Association for Worksite Health Promotion and in 2001 received the Distinguished Alumni Award from the University of Nebraska-Omaha.

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