

Poor Employee Health Costlier Than Employers Think



(Elk Grove Village, IL July, 10, 2007) – A new study suggests that U.S. employers may be significantly underestimating the overall costs of poor employee health, while failing to fully assess the diseases and health conditions that drive these costs.

The study, which appears in the July issue of the *Journal of Occupational and Environmental Medicine* (JOEM) quantifies the link between employee health and productivity more dramatically than any other study to date and shows that the relationship between the two is much more significant than previously thought.

Researchers found that “full cost” measures – that is, those that include health-related lost-productivity costs along with direct medical spending -- were four times greater than measures of direct medical spending alone at the four U.S. companies that participated in the study. When full costs were measured rather than medical costs alone, researchers found that health conditions such as musculoskeletal problems, depression, fatigue and sleeping disorders took on new significance in driving costs upwards.

“The real eye-opener in this study is just how big an impact employee health has on the bottom-line when both direct medical spending and productivity costs are combined,” said Ronald Loeppke, MD, MPH, one of the lead researchers. “In a widening global economy and with new pressure to be competitive, American businesses clearly need to revisit how they are measuring productivity.”

To fully gauge health-related productivity costs, researchers measured direct medical and pharmacy spending along with calculations of the monetary value of lost productivity when employees are absent or working at impaired levels (known as “presenteeism”). The study notes that employers have not historically assessed costs in this way, preferring instead a “siloes” approach that seeks to manage single health-cost categories, such as medical visits or pharmaceuticals, through benefit-package design.

The four corporations that participated in the study include an industrial chemical manufacturer, a computer hardware manufacturer, and two telecommunications and technology companies. More than 15,000 employees participated. Today’s release is the first phase of findings, with the full data set from 10 employers slated to be completed in March 2008.

Researchers compared pharmacy and medical claims data to employee self-report productivity and health information collected through the Health and Work Performance Questionnaire (HPQ), developed by Ronald Kessler, PhD, and the World Health Organization as a part of the Global Burden of Disease Initiative. Information collected on employer business measures were combined with this database to model health-related lost productivity. Dr. Kessler is one of the authors of the JOEM study.

The analysis employed by the research team breaks down the “silos” typically used when examining the cost of health care for a company. When health costs are viewed in a silo, or without the broader context of full-costs, the full impact of a given condition may be seriously underestimated without accurately assessing the accompanying productivity costs.

Accounting for medical costs, plus both absenteeism and presenteeism, represents a truer picture of the full cost that companies bear because of poor employee health. For example, using traditional “siloes” measures, the annual medical and drug costs of back and neck pain per 1,000 employees in studied companies is nearly \$170,000. But when using a full-cost methodology that includes productivity measures, the figure rises to well over \$500,000. Researchers noted that musculoskeletal problems are far and away the most expensive medical conditions for employers when considered in terms of full costs.

Researchers found that the four companies spent \$2,375,115 on the medical pharmacy claims for the conditions measured in the study. Productivity costs were calculated to be \$10,307,057, more than four times greater than the medical and pharmacy claims costs.

Using the traditional view of assessing medical and drug costs alone, the study found that the top ten health conditions driving costs in the studied companies were cancer (other than skin cancer), back/neck pain, coronary heart disease, chronic pain, high cholesterol, GERD, diabetes, sleeping problems, hypertension, and arthritis. But when productivity costs were added, using the HPQ assessment method, the top ten cost-driving health conditions shifted to musculoskeletal conditions, depression, fatigue, chronic pain, sleeping problems, high cholesterol, arthritis, hypertension, obesity, and anxiety.

“The obvious conclusion is that companies who take the traditional siloes view are not getting the full story of their true health costs,” Loeppke said.

The American College of Occupational and Environmental Medicine and the Integrated Benefits Institute, which helped organize the study, have both launched efforts that encourage employers to embrace the full-cost view of workplace health. ACOEM’s Health and Productivity Management (HPM) Center, located at www.acoem.org/HealthandProductivity.aspx, offers resources to help assess full costs; as does IBI’s Health & Productivity Snapshot, located at www.benefitsintelligence.org. IBI will release an assessment tool modeled on the HPQ method this fall.

Many major corporations have already put health and productivity concepts into practice, with positive results. [See accompanying list.]

“Lost productivity due to health-related reasons is a very real cost that is difficult to quantify,” said David Sensibaugh, Director of Integrated Health for Eastman Chemical Company, which participated in the study. “This study shows that employers cannot address high health care costs by focusing on just direct spending. The poor health of employees is an equally important issue that must also be addressed, and we’ve begun

to adjust our thinking accordingly.”

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Organizations coordinating the study include the American College of Occupational and Environmental Medicine, the Integrated Benefits Institute, Matria Healthcare, Inc. (NASDAQ: MATR) and the Harvard Medical School. Funding was provided by the National Pharmaceutical Council.

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