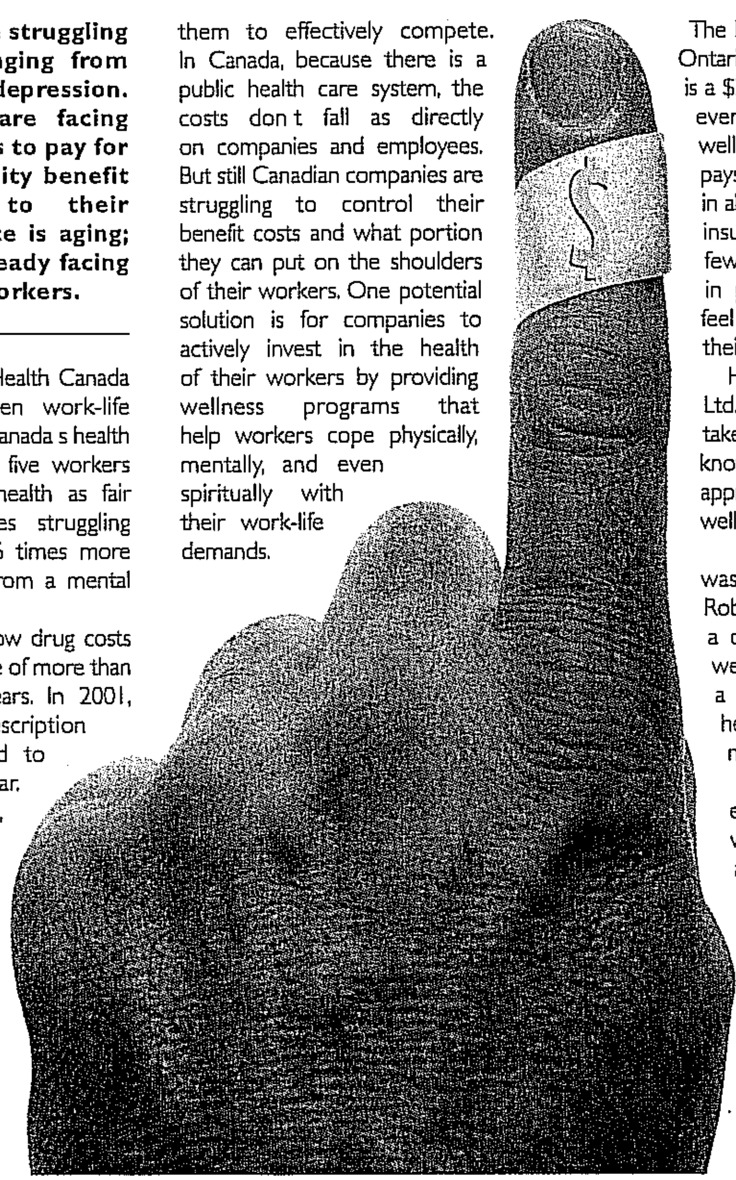
INVESTING IN WORKPLACE HEALTH

Canadian workers are struggling with health issues ranging from high blood pressure to depression. Canadian companies are facing steeply rising premiums to pay for the medical and disability benefit packages provided to their workers. The workforce is aging; many industries are already facing a critical shortage of workers.

A 2004 study funded by Health Canada examined the link between work-life conflict and the demand on Canada s health care system. Almost one in five workers (16.7%) rated his or her health as fair or poor. Those employees struggling with role overload are 2.6 times more likely to have sought care from a mental health professional.

The study documented how drug costs have grown at an average rate of more than 11% over the past five years. In 2001, prescription and non-prescription medications were estimated to cost $15.5 billion per year. Between 1997 and 2002, total health spending in Canada grew by almost $34-billion. Private health care expenditures rose from 25.5% of all health care spending in 1991 to 29.8% of spending in 1997.

In the United States, health benefit costs are crippling manufacturers such as the Big Three automakers and making it difficult for them to effectively compete. In Canada, because there is a public health care system, the costs don t fall as directly on companies and employees. But still Canadian companies are struggling to control their benefit costs and what portion they can put on the shoulders of their workers. One potential solution is for companies to actively invest in the health of their workers by providing wellness programs that help workers cope physically, mentally, and even spiritually with their work-life demands.



The Human Resources Association of Ontario (HRPAO) estimates that there is a $2 to $6 return on investment for every $1 spent on introducing wellness initiatives. The investment pays off because there s a drop in absenteeism, a lowering of medical insurance costs (because there s fewer claims) and a rise in productivity because employees feel better and are more engaged in their work.

Husky Injection Moulding Systems Ltd. based in Bolton, Ontario, has taken the wellness plunge and is known for its multidisciplinary approach to employee health and well-being.

Really the motivating factor was founder and former CEO Robert Schad, says Dr. David Doull, a chiropractor and director of the wellness program. Robert had a vision and his vision was that healthy employees are happier and more productive.

Starting from the baseline that employees need a safe and tidy workplace, Husky has gradually added features during the past ten years to create one of Canada s leading wellness programs which includes fitness facilities, nutrition and weight loss counselling, and bringing health care practitioners on site. Your key commitment (as an employee) is to your job so having these sites and making them available

> *I use the analogy we often take better care of our automobiles than we do of ourselves. We take our cars in for regular maintenance; watch all the gauges, make sure all the key elements are taken care of. Human beings tend to run themselves into the ground.*

doesn't give you permission to not meet your objectives or requirement for your job," explains Dr. Doull.

Husky makes use of manufacturing benchmarks to show how engaged their employees are to their jobs and to looking after their health.

"In terms of absenteeism, our rate is half the Ontario industry average," says Dr. Doull. In terms of smokers we have about a third, 9 per cent compared to 21% of the Ontario population. Our injury rate is one-half the manufacturing average in terms of lost time per 200,000 hours worked."

So though it is often hard to quantify the results of wellness programs, Husky does have some figures that speak to the company's bottom line.

"Our drug costs are under half (industry average). We estimate that during the last fiscal year, we had about $4-million (U.S.) in net savings over the industry average."

Grace Palombo, Senior Vice-President of Human Resources at CanWest Global Communications, has experienced first hand about Husky's wellness program having worked at Husky previously. Now she's trying to bring consistency to the variety of health and wellness programs that exist at the various newspapers and television stations making up the CanWest media chain.

"There's a difference between health and wellness programs. To me the wellness programs are the preventative programs… bringing in programs and services to employees. At Husky, the cost of providing on-site services (is weighed) against the increased benefit of reduced absenteeism, and reduction of benefit costs and there's a direct co-relation. At CanWest, we are just starting to track that metric."

Ms. Palombo wants to provide CanWest employees with an environment that's respectful of their health and that has a wellness quality to it with regards to the air quality and even the way the offices are configured. This goes hand in hand, with raising awareness as to how employees can take a more active role in their own health.

"Our benefits provider offers pro-active benefits as opposed to reactive so instead of just prescription programs there's (coverage for) acupuncture, chiropractic and massage therapy. The benefit to the employer is a higher level of employee engagement, and a healthy employee is typically a happier employee and an employee that will work at a higher level."

Many employers will shy away from the anticipated costs of employee wellness programs. However, they've also seen the costs that their insurer charges them starting to weigh on the company bottom line. There's also the recognition that their employees are key to the success of their enterprise and that there's a need to retain them and to also attract new talent.

"So where the issue is maybe cost driven or there's interest in implementing these programs, generally an employer would want to understand what the cost trends are, and what the key areas are to focus on," says Anne Nicoll, principal of the Mercer Health and Benefits program at Mercer Human Resource Consulting.

"So we (at Mercer) would analyze their disability, health and drug claims in terms of the cost patterns. (If) the bulk of their costs are potentially coming from mental health related cases or perhaps cardio-vascular or muscular-skeletal…once you've identified the top three to ten cost drivers of the plan in terms of categories that can help the employer in identifying and prioritizing where it should begin implementing programs."

More and more employers are using a tool called health risk assessment which consists of a questionnaire exploring the health and medical background of the employee. The employee receives a personalized health report while the employer receives a report made up of the aggregate data from all the participating employees.

"So that data combined with the cost driver data can help an employer with assessing what kind of programs will its employees find of value," says Ms. Nicoll.

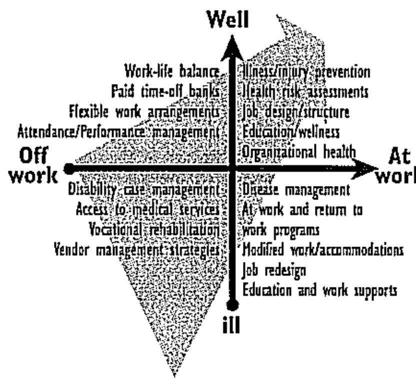
It's important that there is a high level of participation on the part of the employees even for the health risk assessment.

"So the more employees taking the health risk assessment, and participating in programs such as fitness challenges and so on, the more likely the employer will be able to achieve a quantifiable impact (on health costs) later on," explains Ms. Nicoll. "One of the challenges with these programs is that the only people who participate are already the healthy ones."

The improvement to a company's health benefit costs might take months if not years to show up. However, there are aspects of some wellness programs that can have an almost immediate impact or result.

At the Medcan Clinic in Toronto, an employee can have a comprehensive

Workplace Health Matrix



Mercer Human Resource Consulting

> *(It's) basically putting our money where our mouth is, we are a health care organization and it's natural to offer to employees programs that will help them look after their health.*

medical assessment in five hours that might normally take weeks and months of co-ordination through the family physician. Doctors, nurses, technicians and health equipment are all under one roof.

"All our services are focused on preventative medicine so early diagnosis with the intent of modifying behaviour and lifestyle factors to improve health," says Michael Seliga, Vice President, Account Management, Medcan Health Management Inc. "In 2005, of all the individuals who came through the Medcan clinic we found something new (that the patient was not aware of), from relatively minor to major, in approximately 24% of the individuals."

In some cases, early diagnosis proved particularly critical to the on-going health and productivity of the employee. "I'd say generally that within 2% to 5% (of those we assess) we find life threatening (diseases) which would be cancer, diabetes, heart disease," says Mr. Seliga.

Initially companies just sent members of their senior executive team to receive what Medcan describes as it's Comprehensive Health Assessment (CHA) but that is changing. "A lot more organizations are recognizing the benefit of having all their employees go for a health assessment," says Mr. Seliga.

The investment in employee health makes good business sense according to Toni Garro, Vice President of Human Resources at AstraZeneca Canada Inc., a pharmaceutical company based in Mississauga, Ont.

"I use the analogy we often take better care of our automobiles than we do of ourselves," says Ms. Garro. "We take our cars in for regular maintenance; watch all the gauges, make sure all the key elements are taken care of. Human beings tend to run themselves into the ground."

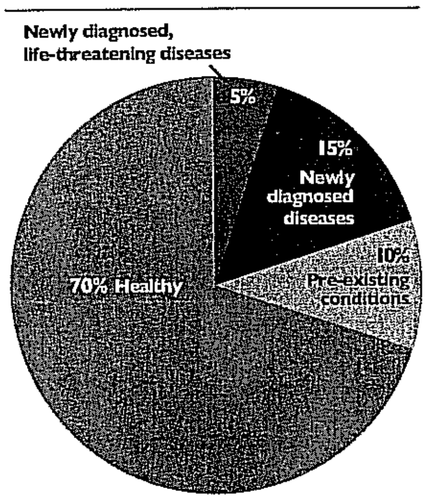
AstraZeneca has a fitness centre run by company volunteers, a Learning and Wellness Centre featuring a cafeteria promoting a healthy menu. Staff can avail themselves of the on-site services of a nutritionist, massage therapist, physiotherapist and a personal trainer.

"We haven't spent any more money than in the early days, we're just re-directing it. That's the beauty of this; it takes on a life of its own."

Programs are rated according to the level of employee interest, and subsequently tweaked in terms of company investment.

Indirect health costs such as absenteeism, disability and lost performance are often cited by experts as being two to three times greater than direct medical costs, a statement that Ms. Gallo agrees with.

"I'd say there's a cost no one can quantify and that is every person in the working environment that's affected by the poor performance of others or suffers poor morale because the working environment is not positive. I'd say it's at least a 30% impact on productivity. Those are the ones in the office, I call the disengaged employee. So if employers are not paying attention to this, they have not fully appreciated the investment in their people and that's your biggest cost."



Medcan Health Management

Another pharmaceutical company, Pfizer Canada Inc., wants to invest in wellness programs for its employees to increase its Employee Value Proposition (EVP).

"We are an employer of choice and we're constantly looking at ways to improve the EVP," says Luc St-Pierre, Vice President, Human Resources, Pfizer Canada. "We have a very engaged work force, people are emotionally, intellectually engaged in our business. It's a reflection on how we treat them."

Pfizer Canada already offers a number of tools to employees to help them take their health into their own hands. These include a fitness centre, a doctor on site, a cafeteria serving nutritional food, and company-sponsored sports teams. Eventually all these offerings will fall under the comprehensive brand name, Viva.

"(It's) basically putting our money where our mouth is, we are a health care organization and it's natural to offer to employees programs that will help them look after their health," says Mr. Luc St-Pierre. "Another driver, based on studies of programs of this sort, is the positive impact on the costs of our medical coverage, and short term disability."

Health programs that Pfizer Canada's developed for other companies will continue to be offered to its own employees.

"We had a program with Daimler Chrysler called, Tune Up Your Heart, to help their employees manage their cardio vascular risks and what we are doing with this new program is basically using the expertise we have developed and are going to be applying it to our own employees," explains Mr. St-Pierre. Buffett Taylor & Associates conducts a National Wellness Survey every three years in which Canadian companies are asked about their offerings.

> *It's a shared responsibility. It's not just the employer; the employee has to understand that the employer can only go so far with this. The employee has to take ownership of these lifestyle and behavioural changes and actual disease risks.*

The trend is definitely towards more companies offering at least one wellness type offering, raising from 44% in 1997 to 83.4% in 2003. (The results of the 2006 survey are still being tabulated.)

However, 80.4% of companies participating in the survey are not offering a comprehensive wellness program defined as consisting of data analysis, a variety of wellness initiatives, and a calculation of return on investment.

Buffett Taylor & Associates offers consultation services to companies on how to set up such a comprehensive wellness program. "Most importantly you are looking at the health risks (of the company's employees), by looking at the drug costs for such ailments as cardio-vascular illness or depression," explains Keith Ryan, account executive, for the Whitby, Ontario-based company.

"That's a good starting point. It's all about strategic intervention, implementing programs aimed at the risks along with keeping the interests of the employee in mind." Key to any wellness program is putting benchmarks in place to measure progress.

"We're really big on measurement and calculation, do a lot of benchmarking where you are, where you will be in a year," says Mr. Ryan. "(For example) drug utilization, where you were when you started, where you will be in a few years, same with absenteeism, short term disability. (You) can calculate a return though some improvements are harder to track, such as improved morale."

Canadian companies are changing their thinking when it comes to investing in wellness programs according to Manulife Financial's Kim MacFarlane.

"I would say in the last three to five years, there's been a real shift in employers sort of intuitively knowing that it's the right thing to do," says Ms. MacFarlane, product manager, Manulife group benefits marketing.

"In terms of the Return On Investment (ROI) it depends a lot on the baseline measures the employer already has in place, (thus) the ROI metrics are going to vary quite radically," says Ms. MacFarlane. "Are they measuring absenteeism from the first day of the program because when they have that information, it really creates a great baseline from which to start measuring the impact? What I have seen is that for every dollar spent (on health and wellness programs), there's been a return of 1½ to upwards of 8 dollars."

Health and wellness programs that lower the health risks of a company's work force translates into more employees staying on the job and thus productive. These programs also help lower the benefit costs paid to the insurer.

"Where clients (of Manulife) are effectively deploying health promotion solutions, it typically comes through in their experience, so they can see an improvement and containment of their benefit costs because of the actions they are taking," says Ms. MacFarlane. So besides the health, drug, and disability offerings they're known for, insurers are also acting as a sounding board as companies look at ways to lower their costs. "The benefit plan is the key starting point, making sure it's meeting the needs of the employees, at the levels that are appropriate," says Wes Jones, manager, group product development, Great West Life Assurance Company. According to Mr. Jones, companies and their employees have to work together to achieve health improvements and cost savings. "It's a shared responsibility," says Mr. Jones. "It's not just the employer; the employee has to understand that the employer can only go so far with this. The employee has to take ownership of these lifestyle and behavioural changes and actual disease risks."

It's important for companies not to jump right in and immediately begin adding health and wellness programs without any idea as to what specific health risks they should be targeting.

"What we say is stop and look at where you are at, what you are doing now that's working well for you, and what are the things you can do to improve," says Mr. Jones. "And then if you are looking at taking it to another level, look at some of the data (telling you) where the major health issues may be. It is at that point that there are things we can do to support you."

The scale that the company is looking at could be quite small to begin with, perhaps it's just getting more information about a particular disease. "We want to work with them so they can make an informed decision on what the next step should be," says Mr. Jones.

For companies embarking on the wellness route, it might take a leap of faith with the Return On Investment figures not available at the beginning to justify the initial investment.

However, the first requirement is to make sure all levels of the organization are involved.

"I think you really have to have involvement from all levels of the organization," says Husky's Dr. Doull. "Definitely having senior leadership is key but it's also listening to all levels (to ensure participation)."

"It's also important putting in key measures to prove ROI. It's there, it exists but you have to measure it initially. It takes a certain leap of faith from the financial people, leadership, the share holders but it exists. Initially it's not immediate, it maybe a longer term investment but eventually there is a return on that investment."

This article was not written by Financial Post Business journalists