



Closing the Gap

2008|2009

Employee Perspectives
on Health Care



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Employee Perspectives on Health Care

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Executive Summary

As health costs continue to rise and the economy slows, employees are being challenged to take more responsibility for their own health. But, in order to develop effective plans and support programs for employees, employers must first understand what drives their workers' health care decisions. To narrow the gap between desired and actual employee behavior, employers can listen to the voice of the consumer, their employees.

Responses from nearly 2,500 U.S. workers are compiled in the second installment of Watson Wyatt's 2008 Employee Perspectives on Health Care report. This year's findings shed light on how employees view their company's health care programs and which health, education and communication programs best encourage employees to accept the invitation to change their behavior and lead healthier lifestyles. Although responses were collected in May and June of 2008, before the full extent of the financial crisis was known, they illustrate employees' sensitivity to higher health care premiums. They also indicate clearly that companies can do more to create a culture of health that helps lower workers' health care costs while improving their health status and productivity.

Key findings this year include:

- Nearly one-fifth (19 percent) of employees are willing to pay more money out of their paycheck in order to keep health costs low and predictable. This represents a marked

difference compared with results from 2007, when twice as many were open to higher premiums for more certain health care costs.

- Two-thirds of employees are trying to take better care of themselves, while many others are trying to reduce their health care costs. However, this year more employees are also taking actions (e.g., missed doctor's visit or skipped doses of prescribed medications) that might lead to larger expenses down the road.
- Many employees believe that their employers could do more to foster a culture of health. Slightly less than majority say that their employer promotes a healthy work environment (41 percent) and that their senior leaders visibly support a culture of health (45 percent).
- A vast majority of employees (85 percent) say they have a primary care physician, a key to preventive care. These employees are more likely to be engaged in their health, and 76 percent are getting preventive screenings.
- Financial incentives are still the most effective way to encourage participation in health-related programs. More than half (52 percent) of employees respond enthusiastically to financial incentives that are targeted to their needs by demographic, job type or condition.

This report, the first of two based on the data, discusses the relationship between health, productivity and costs. The second report, which will be published in early 2009, will focus on the links between employee health and performance at work.

- Employees enrolled in high-deductible health plans (HDHPs) are more likely to report being in good overall health (64 percent) compared with those enrolled in traditional plans (49 percent). They are also twice as likely to save money for medical expenses (38 percent versus 16 percent in traditional plans).
- Mental health issues are hindering employee productivity. Among workers indicating a high level of stress, 14 percent are absent from work 10 days or more annually. Among those with depression, 18 percent are absent that amount. Presenteeism, staying on the job when not 100 percent effective, can be equally damaging. Workers with certain health conditions, such as high stress and depression, have higher levels of presenteeism.

Introduction

Employer investments in improving the health and productivity of workers have risen steadily over the last few years. For some, it's a continuation of an altruistic commitment to health with perceived market advantages. For others, it's a solid play at managing costs. For virtually all, it represents a choice to act on the growing evidence linking employee health to a company's bottom line.

Watson Wyatt's 2008 Employee Perspectives on Health Care report provides context for an organization's efforts to refine its overall health care investment strategy through analysis of employee perceptions of benefit offerings and employer efforts to foster a healthy work environment.

Knowing what underlies the acceptance or rejection of employer offerings moves an organization closer to experiencing expected returns. To this end, this report provides significant findings in employee perceptions within five categories:

- **Changing plan design and shifting costs.** How is the increased cost burden affecting employee financial and health behavior?
- **Creating a culture of health.** How do investments in a healthy culture relate to employee participation in wellness offerings?
- **Motivating participation and behavior change.** To what extent are employees beginning to demonstrate greater responsibility for their current and future health state?
- **Moving from treatment of illness to prevention.** What gets in the way of employees getting the appropriate preventive care and having a primary care physician?
- **High-deductible health plan (HDHP) impact.** How are HDHPs changing employee health care utilization patterns?

In many instances there is a great distance between where employees are and where employers would like them to be. Along with our findings in each category, we offer our analysis detailing how employers can adjust their actions to close the gap and improve returns in employee health and productivity while also managing costs.



About the Survey

In its second year, the Employee Perspectives on Health Care report assesses the attitudes of American workers surrounding their employer-sponsored health care programs.

In addition to looking at employee health behavior and satisfaction – specifically, how increasing medical costs affect employees' view and use of the health care system – this year's survey was expanded to capture employee perception around several emerging factors and trends including:

- Incentive preferences
- Impact of health status on absence and work performance
- Increased employer and health plan encouragement of consumerism
- Workplace culture and its impact on employees' engagement as consumers
- Information on health conditions, job performance, job role, pay and health status was also collected to provide employers with greater specificity.

The survey was completed online by a nationally representative sample of American workers in May and June 2008. The responses represent 2,487 full-time U.S. employees of large, nongovernmental companies who participate in their employer-sponsored health plan. The resulting database includes responses to more than 75 questions, which were analyzed according to respondents' health status, age, income, education, coverage tier and plan type. The margin of error for the entire sample of responses is +/- 2 percent.

Changing Plan Design and Shifting Costs

Employees are paying more, yet remain generally satisfied with plan interactions.

Despite costs that continue to outpace the growth in economy and wages, employees are generally satisfied with their company's health care plan and their share of the costs. This is consistent with our 2007 findings.

The majority of individuals would recommend their plan to family, friends and co-workers, and most view their interactions with carriers as positive. More than half of respondents are satisfied with their out-of-pocket health care costs, and few individuals (only 18 percent) would choose to leave their current health plan if given another option (Figure 1).

Perceptions differ among frequent users of the plan

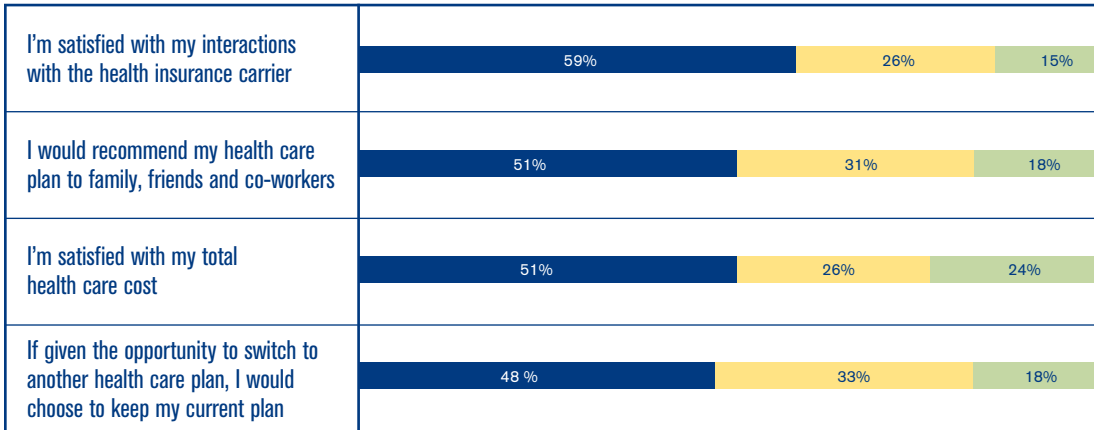
However, as health status declines so do good feelings about the health plan (Figure 2). Only

36 percent of workers reporting a health status of fair or poor are willing to recommend their health plan to family, friends and co-workers, and 39 percent are satisfied with health care costs. These numbers compare to 56 percent and 58 percent of workers with a health status of very good or better, respectively.

Employees are more willing to shoulder risk

Over the last year, employees have become less tolerant of higher premiums as only 19 percent of employees indicate they are willing to pay a higher amount of their paycheck in order to keep lower, predictable costs when using health care services. This represents a marked difference compared to results from 2007, when twice as many (38 percent) were open to higher premiums for more certain health care costs (Figure 3). The current economic downturn is clearly squeezing household budgets and adds to the challenge of absorbing health costs.

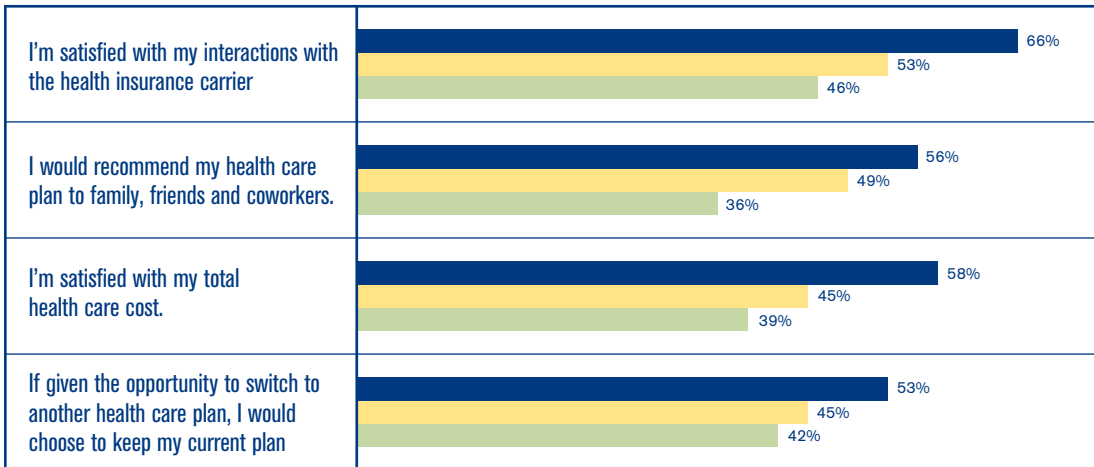
Figure 1 | Employees are largely satisfied with their health plans



■ Satisfied ■ Neutral ■ Unsatisfied

Note: Satisfied includes those that respond "strongly agree" or "agree" to each statement above. Neutral includes those that respond "partly agree" or "partly disagree." Unsatisfied includes those that respond "disagree" or "strongly disagree."

Figure 2 | Employees in poorer health are less satisfied with their health plans

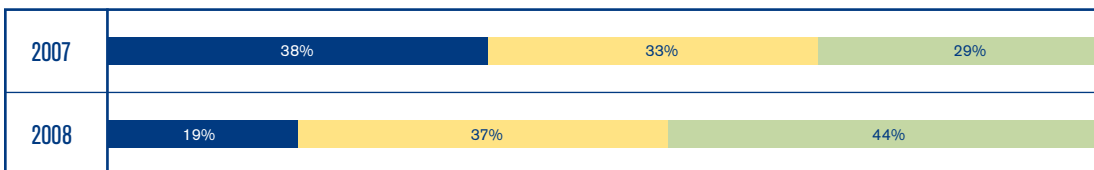


■ Very good or better health ■ Good health ■ Fair or worse health

Note: Percentage responding "strongly agree" or "agree."

Figure 3 | Fewer employees are willing to pay higher premiums for lower, predictable costs

I would be willing to pay a higher amount out of my paycheck each month in order to keep lower, predictable costs when using health care services.



■ Favorable ■ Neutral ■ Unfavorable

Note: Favorable includes the response "strongly agree" or "agree" to each statement above. Neutral includes the response "partly agree" and "partly disagree." Unfavorable includes the response "disagree" or "strongly disagree."

Good news – and bad – in linking cost with health

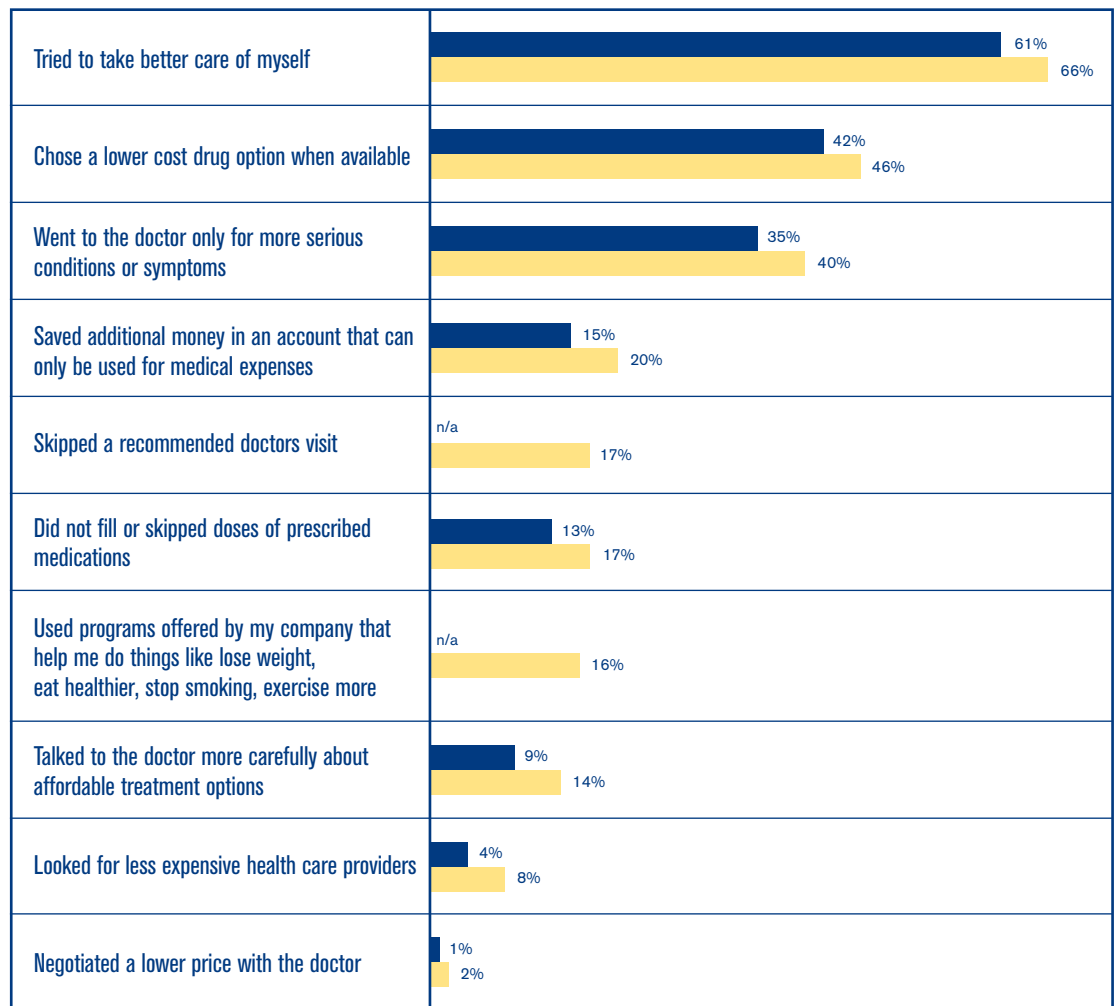
Employees are taking steps to reduce the amount of money they spend on medical care – some steps are positive, while others may be cause for concern.

Two-thirds (66 percent) of employees say they tried to take better care of themselves in 2008, an increase of five percentage points since 2007. Nearly half (46 percent) chose lower cost drug options when available. Likewise, 40 percent of workers went to the doctor only for more serious conditions and 20 percent saved money in an account to be used for medical costs (Figure 4).

While only a handful of employees talked to their doctor more carefully about affordable treatment options (14 percent), looked for less expensive health care providers (8 percent) and/or negotiated a lower price with a doctor (2 percent), all of these actions are at a level higher than a year ago. This may be attributable in part to shrinking household budgets and improved consumer awareness. It also may be due to increased employer efforts around education and personal health involvement.

Few employees identify wellness programs as a way to control costs. Only 16 percent of

Figure 4 | Employees are taking action to reduce spending on medical care



■ 2007 ■ 2008

*Some questions were added in 2008 and do not have a 2007 metric.

employees used weight management, smoking cessation or exercise programs offered by their employer to help trim their health care costs.

Unfortunately, some employees are taking actions to reduce near-term costs that may lead to much larger expenses down the road. For example, 17 percent skipped a recommended doctor’s visit in order to save on health care costs, and another 17 percent of employees did not fill or skipped doses of prescribed medications – up from 13 percent in 2007.

A greater financial burden

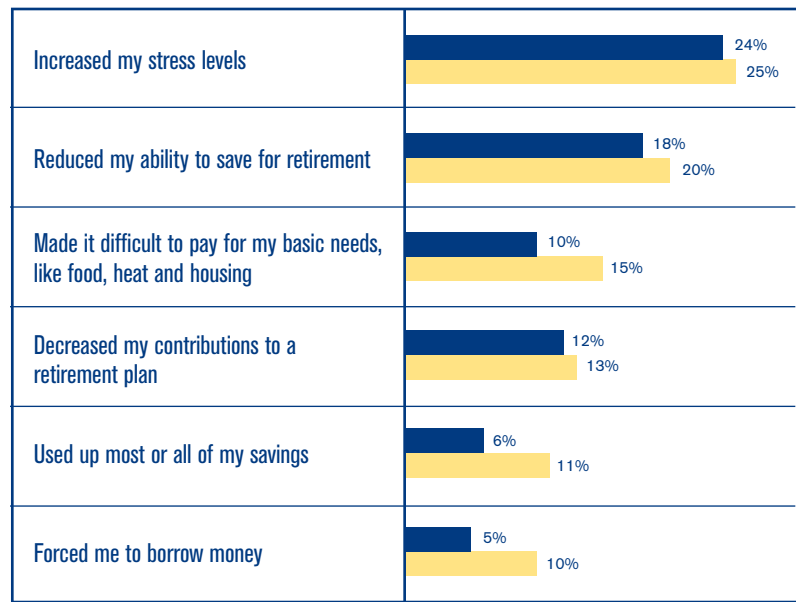
Health care costs are now placing an increasing burden on employees’ financial security. Twenty percent of employees indicate that higher health care costs in the past two years reduced their ability to save for retirement and 13 percent decreased contributions to their retirement savings plan. Both findings represent higher rates compared with those reported in last year’s study.

In addition, 50 percent more workers report that higher health care costs made it difficult to pay for basic needs than last year (15 percent vs. 10 percent), and workers were twice as likely to be forced to borrow money (10 percent vs. 5 percent) (Figure 5).

Gap Closers: Potential Actions for Employers

- **Leverage the Employee Assistance Program (EAP).** Considering the current economic climate, sessions on stress management and financial counseling may help manage some of the pressures facing employees.
- **Revisit your health strategy.** Mine your claim data to determine where participants are avoiding necessary care or prescriptions. Consider value-based design modifications.

Figure 5 | Higher health care costs have a negative impact on employees



■ 2007 ■ 2008

- **Ask for employee feedback.** Frequent users of health programs can be a rich source of information. Let employees know how their input improves programs and vendor services.
- **Evaluate communication programs.** Educate employees on the cost connection between their risky behavior and overall health. Offer tools to help with health decisions.
- **Increase participation.** Segment your population by health status and tailor communication and incentives to each segment, such as reminding those with chronic conditions of the availability of health coaches or similar resources.
- **Give employees the complete picture.** Consider combining health and wealth education and/or counseling programs.

Creating a Culture of Health

Good health is good business

Companies with more effective health and productivity programs had 75 percent higher three-year total returns to shareholders (2004 to 2006) and more than 20 percent higher revenue per employee, according to Watson Wyatt's 2007/2008 Staying@Work report.

Offering a variety of programs that cross the full continuum of health is a strong indicator of a culture of health. But employers can do more. Building a strong culture of health also encompasses executive commitment, education, tools and two-way communication at the workplace.

The agreement from employees is modest

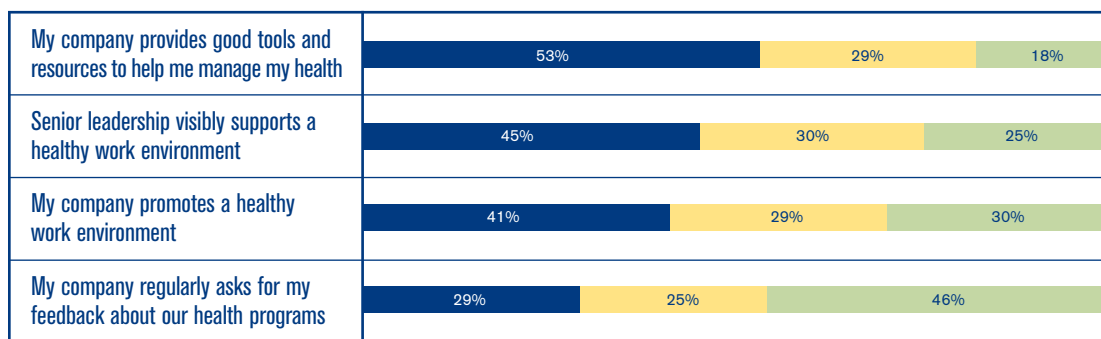
More than half of employees agree that their employers provide good tools and resources to help manage their health, while 41 percent of employees say their employer promotes a healthy work environment by offering a comprehensive set of health programs, healthy food options in the cafeteria and lots of education materials. Nearly half of employees (45 percent) also say senior leaders visibly support a culture of health (Figure 6).

However, fewer than a third of employers regularly ask for feedback about their health care programs. Not surprising, employees who are least healthy feel employers should be doing more. Among the respondents indicating their health as fair or having some health problems, only 35 percent say their company provides good tools and resources, and less than 30 percent indicate that senior leadership visibly supports a healthy work environment. Likewise, 24 percent say their company promotes a healthy work environment and only 15 percent get asked regularly for feedback about their health care programs.

Program participation boosted by strong health culture

Employee perception of a healthy work environment can be directly linked to the level of participation in health programs. Employees who say their company provides good tools and resources to manage their health are 35 percent more likely to join a wellness program compared to those that say their company does not provide good resources (62 percent vs. 46 percent).

Figure 6 | Employees recognize efforts to promote a culture of health



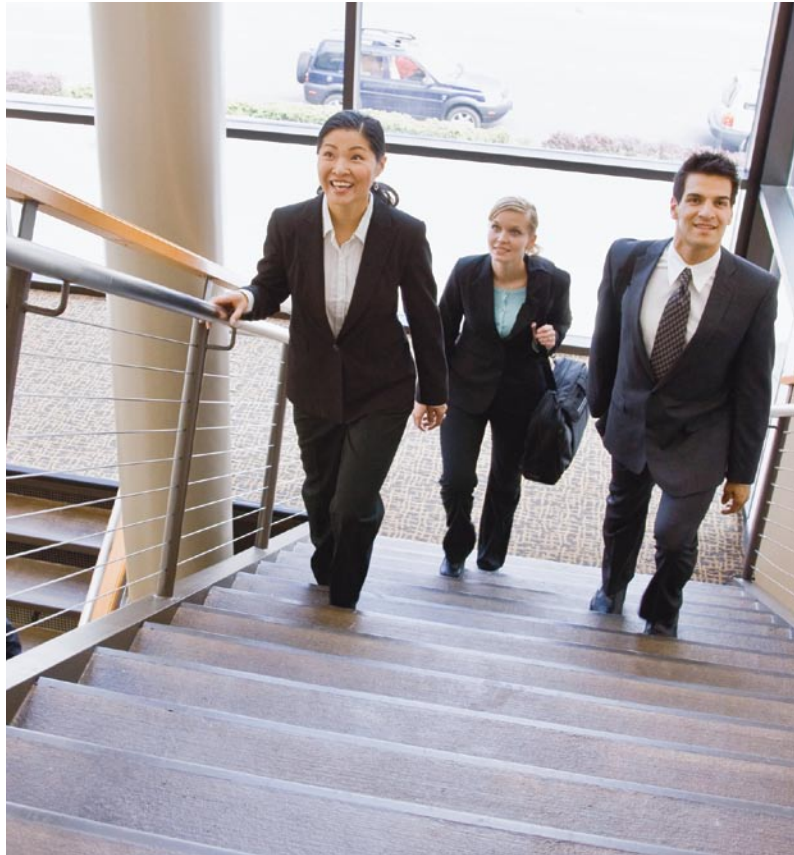
■ Agree ■ Neutral ■ Disagree

Note: Agree includes the response "strongly agree" or "agree". Neutral includes the response "partly agree" or "partly disagree." Disagree includes the response "disagree" or "strongly disagree."

Additionally, employees who report their employer promotes a healthy work environment are nearly 40 percent more likely to participate in a wellness program than those who disagree (62 percent vs. 45 percent). Active senior leadership support of a healthy work environment and solicitation of employee feedback on a regular basis are also strongly linked to higher wellness participation.

Gap Closers: Potential Actions for Employers

- **Get business leaders involved.** Executive visibility and commitment drive participation in health related programs.
- **Include comprehensive support programs and tools.** Simply offering programs alone won't drive results. Offer tools that address the full continuum of care.
- **Align communication with the organizational culture.** Connect effectively with your employees. Make what you expect from them clear and link expectations to business goals.
- **Make health visible at work.** Visible health messaging can be a strong reminder of healthy behaviors that can be done every day; take the stairs, practice safe lifting at work, read labels before buying, stock vending machines with healthy choices, etc.
- **Listen carefully to the voice of the consumer.** Create opportunities for employees to provide feedback through focus groups, blogs, face-to-face meetings and surveys. Consider organizing an employee wellness council to provide ongoing feedback on programs and services.

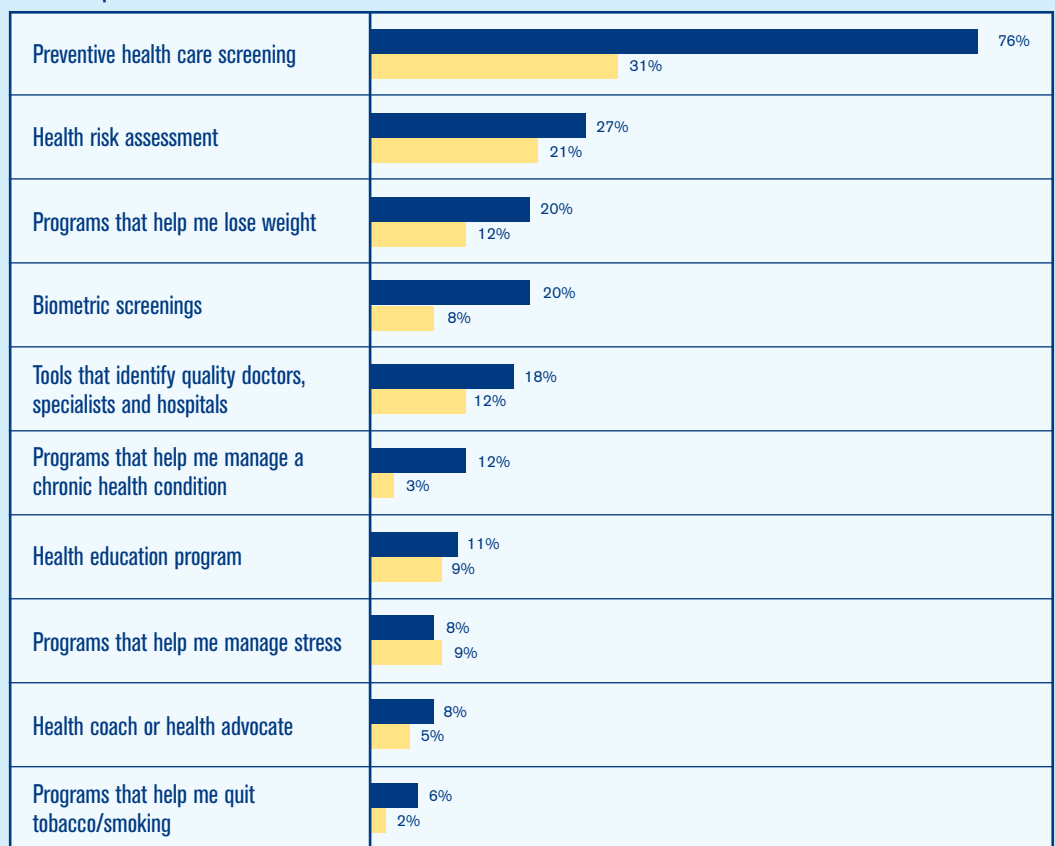


Medical Homes

Primary care is essential for the effective and efficient functioning of the U.S. health care system. Unfortunately, individuals in the U.S. more often than not seek episodic, illness-oriented, complaint-based care. The concept of a medical home is based on patient-centered, physician-guided care that promotes continuous healing through the delivery of care in a variety of settings according to the needs of the patient and skills of the medical provider. Physicians are once again partners in helping patients navigate the complex and often confusing health care system by providing guidance, insight and advice in a language tailored to their specific needs.

Our results clearly show that connection between engagement and having a primary care physician (PCP). Respondents with a PCP are more effective at getting employees to take preventive health care measures and to participate in a wellness program. Specifically, respondents with a PCP are nearly 2.5 times more likely to have had a preventive health care screening than those without a PCP (76 percent vs. 31 percent). Also, workers with a PCP are more likely to have taken a health risk assessment (27 percent vs. 21 percent), have had a biometric screening (20 percent vs. 8 percent) and to have used a weight management program (20 percent vs. 12 percent) than those without a PCP.

Figure A | Workers with a primary care physician are more likely to be engaged in their own health



■ Have PCP ■ No PCP

Note: Percentage responding that they use the tools listed above

Motivating Participation and Behavior Change

Shared responsibility is taking hold

A strong shared-responsibility model – where responsibility for costs and health status is shared by employees and employers – is a common denominator in effective employer efforts to improve health while managing cost.

Many employees are taking more responsibility for their health. For instance, 85 percent of employees say they have a primary care physician (PCP), an important first step for individuals who want to effectively manage their health care (Figure 7). Younger workers (under age 30) are least likely to have a PCP (75 percent) while older workers (60 or older) are most likely (93 percent). More than two-thirds of workers indicate that their doctor understands their specific health care needs. Many workers also indicate they are actively taking steps to improve their health – 69 percent of respondents say that managing their health is a top priority in their life. Nearly two-thirds (65 percent) of workers say they have taken action in the last two years to significantly improve their health, and 68 percent have had a preventive health care screening such as an annual physical, mammogram screening or prostate screening in the last two years.

There are few reasons for employees to miss preventive screenings

Employees can do more to take advantage of preventive care – it is covered at 100 percent by most employers. Preventive screenings are most common among women and older workers, whereas younger males particularly in their 30s tend to lag behind. However, the top reasons employees cite for not having a preventive screening in the last two years include not knowing it was needed (37 percent), not having the time (28 percent) and being required to pay for it (23 percent) (Figure 8).

Figure 7 | Employees are taking responsibility for their health

I have a primary care physician	85%
Managing my health is a top priority in my life	69%
My doctor understands my specific health care needs	69%
I have had a preventive health care screening in the last two years	68%
I have taken actions in the last two years to significantly improve my health	65%

Note: Numbers include responses of “strongly agree” or “agree” to each statement above. The study did not ask how employees define a primary care physician.

Figure 8 | Many employees do not have preventive screenings

I didn't think I needed it	37%
I don't have the time	28%
I have to pay for it	23%
I am healthy and don't need a checkup	21%
I don't have a primary care doctor	18%
I am nervous about going to the doctor	17%

Responsibility for health ≠ participation

While many respondents report they are actively engaged in managing their health, few indicate they participated in a company-sponsored wellness or disease management program over the last two years. Employees are most likely to have taken a health risk assessment (26 percent), participated in a weight management program (19 percent) and/or had a biometric screening (18 percent).

However, fewer than one in 10 employees used a health coach (7 percent), participated in a program to manage stress (8 percent) or used a smoking cessation program (5 percent).

Not surprising, program participation is highest among respondents with a health condition. Employees with health issues are more likely to take a health appraisal, use a health education program and participate in a program that helps manage a chronic condition. However, having a health condition has little impact on whether or not individuals use tools to identify quality providers. This may be a reflection on what the industry has to offer by way of user-friendly tools and information sources (Figure 9).



Gap Closers: Potential Actions for Employers

- **Emphasize the importance of having a primary care physician.** Educate employees on what a PCP is, and emphasize the important role a PCP can play in effective care management.
- **Cover preventive care at 100 percent.** Keep reminding employees and covered dependents that this benefit exists, and communicate the value to employees and their families.
- **Target and tailor communication to drive participation.** Personalize messages and approaches to participants based on age, gender and health condition. Involve your vendors in a targeted communication strategy.
- **Make it easy.** Offer and promote the convenience of onsite services and vendor programs that focus on prevention.
- **Educate on quality.** Higher cost does not necessarily mean better care. Provide information on provider quality and why it matters.

Figure 9 | Participation in wellness programs is highest among employees with health conditions

	All	No health issues	Self-reported health conditions					Anxiety
			Diabetic	High blood pressure	Weight problems	Heart disease	Depression	
N=	2,487	744	206	577	722	74	388	555
Biometric screenings	18%	15%	31%	23%	27%	43%	22%	20%
Health risk assessment	26%	24%	33%	30%	35%	43%	33%	32%
Health education program	11%	10%	26%	14%	16%	30%	14%	11%
Tools that identify quality doctors, specialists and hospitals	17%	18%	16%	18%	19%	19%	21%	17%
Programs that help me quit tobacco/smoking	5%	4%	4%	5%	6%	10%	5%	6%
Programs that help me manage stress	8%	8%	9%	8%	10%	14%	15%	13%
Programs that help me lose weight	19%	12%	35%	20%	34%	30%	28%	25%
Programs that help me manage a chronic health condition	11%	6%	51%	19%	17%	46%	17%	16%
Health coach or health advocate	7%	5%	17%	10%	8%	20%	6%	7%

Characteristics of Wellness Participants

As employers invest more time and money to help employees live healthier lifestyles, many struggle to engage their workforce to take action and participate in their wellness programs. Overall, 54 percent of respondents indicate having participated in a wellness program offered by their employer.

Identifying the characteristics of participants can go a long way toward helping develop strategies to target those not actively engaged in wellness activities. Our research used multivariate analysis of the comprehensive set of items within the survey to identify the key characteristics most attributed to individuals who are participating in a company-sponsored wellness program.

We found that wellness participants are higher performers, more highly compensated, have chronic conditions and miss more days of work. These employees are more comfortable with their employers' involvement in wellness and open to incentives.

Many companies rely on the combination of incentives or penalties to encourage employees to participate in their wellness programs. While offering a carrot or stick may be effective for some individuals, almost half of respondents (48 percent) indicate that financial incentives would not encourage them to participate. Of those individuals, more than half are not currently participating in a wellness program.

Engaging individuals currently not participating and who don't identify financial incentives as important can be particularly challenging. These individuals may not see the need to engage in wellness initiatives.

The nonparticipant group tends to be healthier, less likely to have a chronic condition and report significantly fewer sick days. These employees generally report far less stress attributed to long hours at work, pressures from their manager and/or personal money concerns. Likewise, they are much less likely to be enrolled in a consumer-directed health plan and less prone to have a primary care physician. Removing the roadblocks to participation through effective communication can go a long way to identify emerging conditions and motivate employees who have yet to embrace a healthier lifestyle.

Figure B | Incentives are less important to employees who do not participate in wellness programs

	Incentives are important	Incentives are NOT important	Total
Wellness participants	31.4%	22.7%	54.1%
Wellness nonparticipants	20.2%	25.7%	45.9%
Total	51.6%	48.4%	100%

Figure C | Characteristics of wellness participants

Characteristics	Wellness participant	Wellness non-participant
Male	52.0%	56.7%
Under 30	16.9%	14.8%
Over 55	19.5%	16.4%
Less than 2 years service	17.3%	20.5%
More than 10 years service	38.8%	35.7%
Less than \$35,000 salary	10.2%	15.8%
More than \$100,000 salary	36.1%	28.7%
Eligible and enrolled in HDHP	37.4%	25.3%
Enrolled in traditional plan	61.0%	76.4%
With chronic condition	32.5%	15.0%
With primary care physician	87.5%	77.4%
With 3 or more risk factors	21.4%	15.4%
With 4 or more sick days in last 12 months	41.7%	30.4%
Job performance exceeded expectations	65.2%	56.8%
Open to financial incentives	58.1%	44.0%

Moving From Treatment of Illness to Prevention

Employees are receptive to reminders and “push messages”

Employers are investing in incentives to get employees to improve their chances at staying healthy or getting healthier. More than half of employers currently offer rewards for participating in health engagement activities and 24 percent plan to do so in 2009, according to the 2008 National Business Group on Health/Watson Wyatt Employer Survey on Purchasing Value in Health Care. Likewise, 31 percent of employers offer rewards for health status factors and another 24 percent plan to do so in 2009.

In general, most employees are open to their employers offering programs that encourage workers to adopt healthier lifestyles. More than half of employees were comfortable with their health plan sending reminders to fill prescriptions or get an annual checkup and most are also comfortable with outreach programs that encourage them to participate in a wellness program.

Employees are uncomfortable penalizing their co-workers who are unwilling to take steps to manage an illness or lower their health risks, but

more receptive to rewarding those who are taking steps to improve (Figure 10).

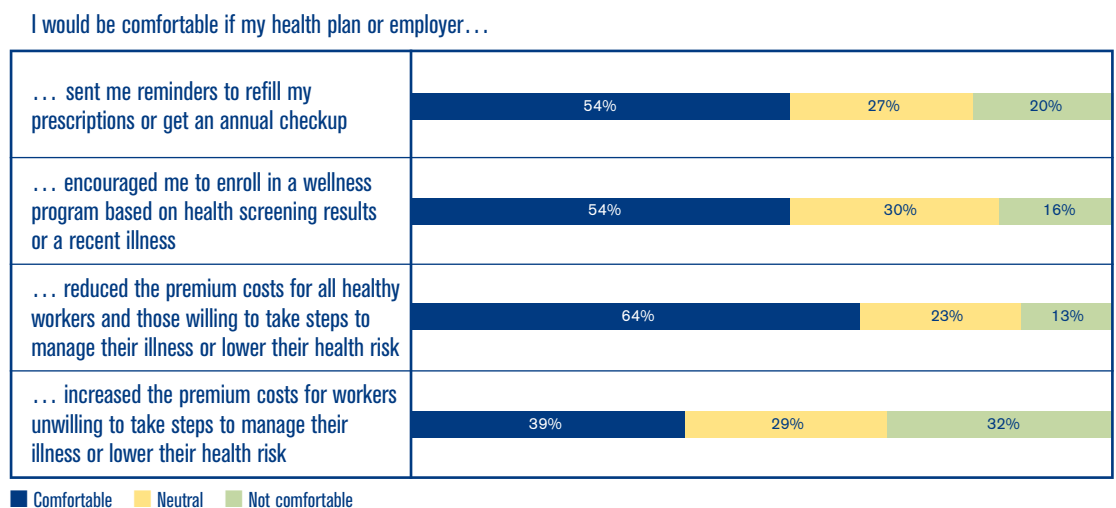
Financial incentives are powerful

Financial incentives are critical to getting employees to join a company-sponsored wellness program. Overall, 52 percent of employees indicate that monetary incentives are important for them to participate in a wellness program compared to 19 percent that say incentives are not important (Figure 11).

Not surprisingly, financial incentives are much more important to younger workers. More than two-thirds of employees in their 20s say that financial incentives are important whereas less than half of employees in their 50s and only 39 percent of workers in their 60s say that financial incentives drive them to participate in a wellness program.

Financial incentives are most important to those in very good or excellent health (56 percent) compared to those in fair or worse health (43 percent). In addition, those enrolled in a high-deductible health plan (67 percent) are more motivated by financial incentives to join a wellness program compared to those eligible for but not enrolled in a HDHP (53 percent).

Figure 10 | Employees are more comfortable with employer steps to reward rather than penalize certain behaviors



Note: Comfortable includes the response “strongly agree” or “agree” to each statement above. Neutral includes the response “partly agree” or “partly disagree.” Not Comfortable includes the response “disagree” or “strongly disagree.”

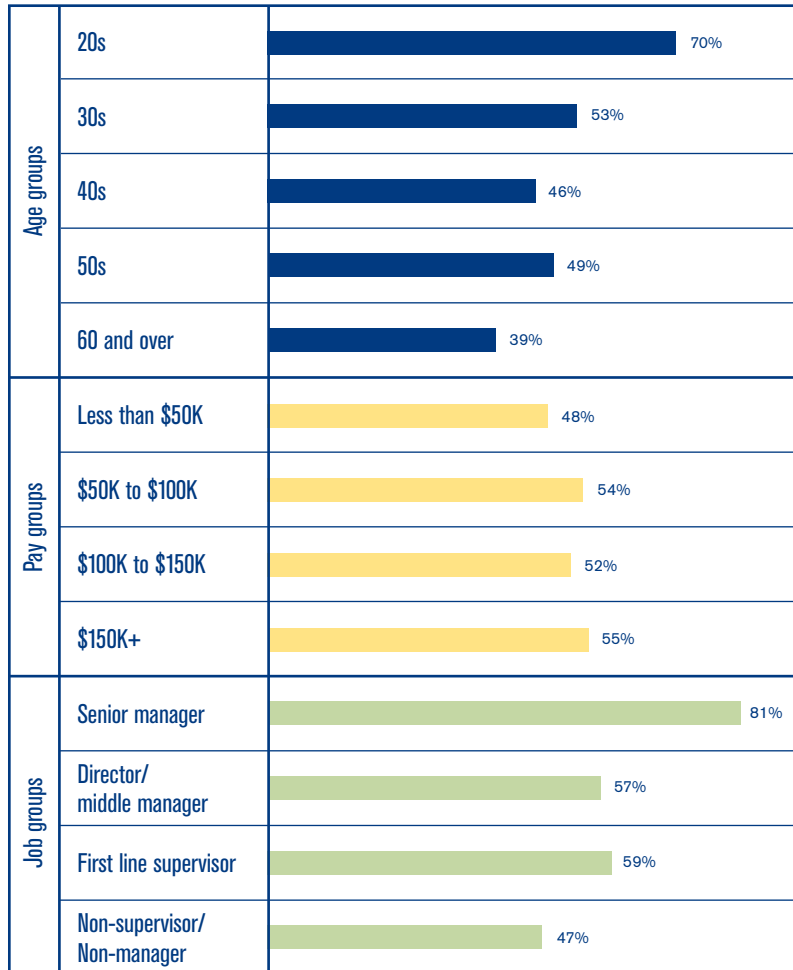
Cash is preferred more than premium reductions

Given the option between a \$100 reduction in their annual premium and various other economic incentives, employees prefer a comparable amount in cash to motivate their participation in a wellness program. In fact, 40 percent more prefer \$100 in cash to a \$100 reduction in their annual premium (Figure 12).

Surprisingly, workers also prefer contributions to their 401(k) plan more than a comparable premium reduction (42 percent vs. 34 percent). However, only 28 percent would opt for a \$100 contribution to a health savings account relative to same size cut in the premium. This could reflect confusion about the advantages of these accounts or that not all employers offer HSAs.

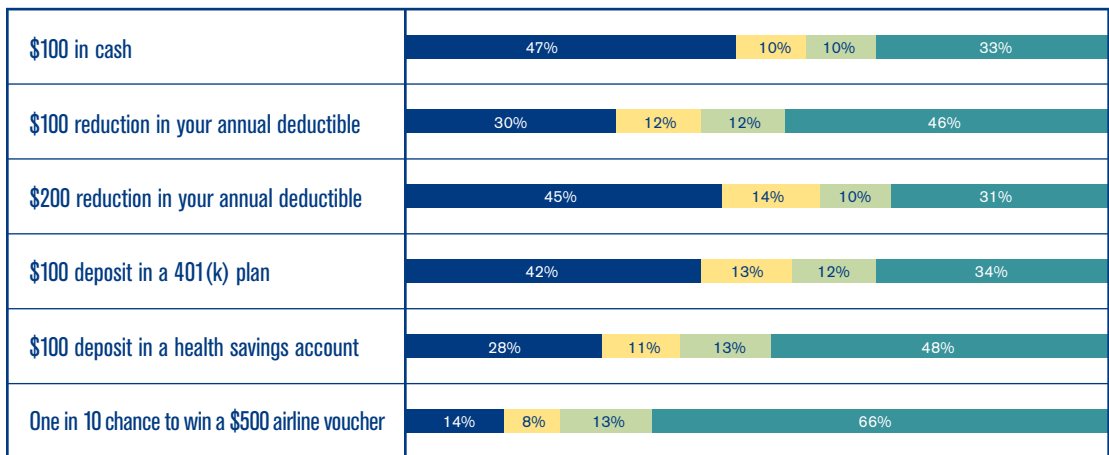
Most workers prefer a reduction in the premium over an equal cut in the annual deductible (46 percent vs. 30 percent). In fact, workers would require more than a 2-to-1 reduction in the annual deductible to match preferences for cash relative to a comparable cut in the annual premium. Only a few employees (14 percent) would prefer a one in 10 chance to win a \$500 airline voucher over the certainty of a \$100 reduction in the premium.

Figure 11 | Financial incentives are important drivers of participation



Note: Numbers represent responses of "strongly agree" or "agree."

Figure 12 | Employees prefer cash incentives



Note: Question based on a four-point scale with an anchor of "prefer \$100 reduction in annual premium." Respondents answered the degree they prefer the alternative incentive option to the anchor response.

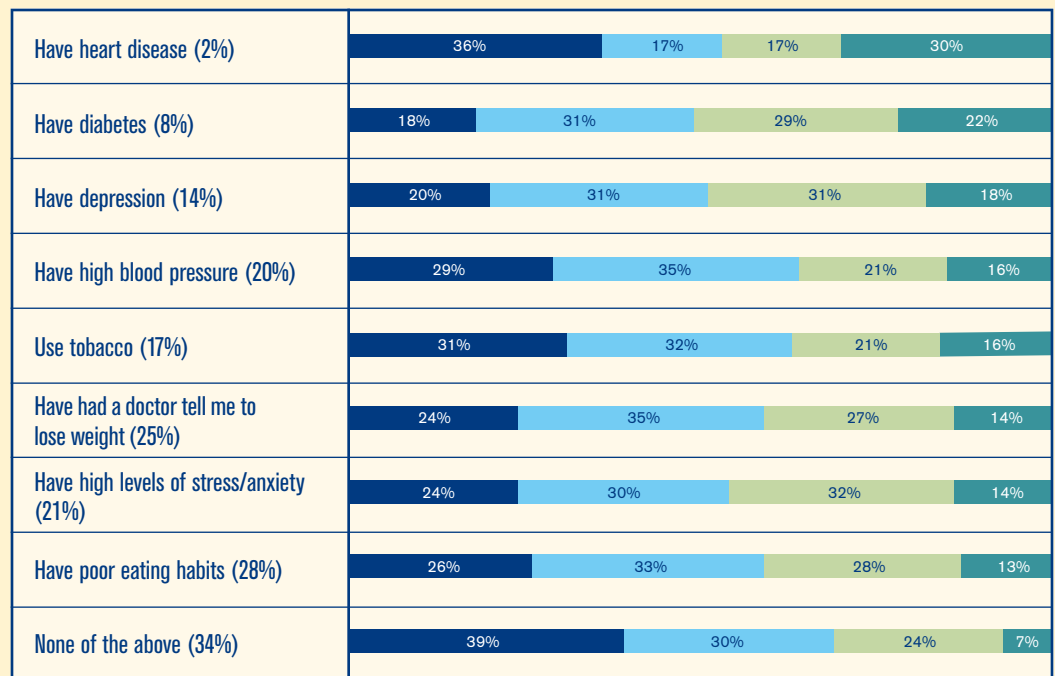
Health Risk Factors and Absence/Presenteeism

Productivity losses due to personal and family health issues cost American businesses billions of dollars a year.¹ Unscheduled absence creates disruptions in work flow, costly overtime hours and lost sales. Yet, many employers are unaware of what this drain in productivity is costing them in revenue and profitability.

Results from our research show a very strong connection between specific health issues and days absent from work. Thirty percent of workers with heart disease miss more than 10 days a year due to their illness. Likewise, 22 percent of those with diabetes and 18 percent with depression are absent from work more than 10 days a year. Riskier lifestyle behaviors such as tobacco use, being overweight and high levels of stress and anxiety are linked to more days off compared to those with no health issues. Overall, more than two-thirds of those without any of the listed health issues missed three days or less from work.

Lost productivity also occurs when individuals come to work in spite of an illness – commonly referred to as presenteeism. Presenteeism can also occur due to a family, financial or other personal issue that distracts employees from work. Employees who arrive at work under any of these circumstances may only operate at a fraction of normal capacity despite requiring the same expenditure in wages as an employee operating at 100 percent. They may also be

Figure D | Employees with specific health issues are more likely to be absent from work



■ No days absent ■ 1 to 3 days absent ■ 4 to 9 days absent ■ 10 or more days absent

Note: Percentages after each health condition indicate the percent of employees that self-report having the condition.

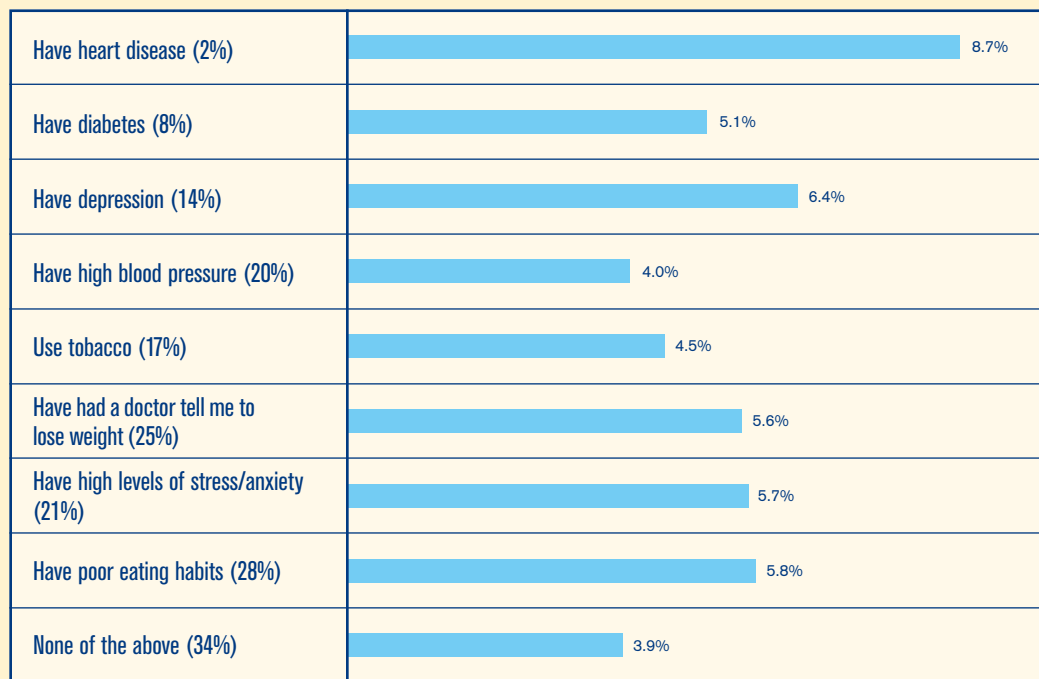
¹ Stewart, W.F., Ricci, J.A., Chee, E., Morganstein, D. Lost productive work time costs from health conditions in the United States: Results from the American productivity audit. Journal of Occupational and Environmental Medicine, 2003. 45(12):123–124.

more prone to mistakes, and in some cases may transmit the illness to fellow employees, causing a larger decline in work efficiency.

Presenteeism rates as measured in Figure E below reflect the relative performance of an individual over the last 30 days compared to the last two years. Higher rates of presenteeism reflect lower levels of performance over the last month compared to the last two years on the job. For example, a presenteeism rate of 5 percent means an employee was 5 percent less productive over the last 30 days compared to the last 2 years. Employees in the last month who performed at levels comparable to or higher than the last two years are considered to have 0 percent presenteeism.

Health issues clearly impact performance. Those without any health issues report the lowest levels of presenteeism (3.9 percent), while those with heart disease (8.7 percent), weight problems (5.6 percent) and poor nutritional habits (5.8 percent) have higher rates. Mental health issues including depression (6.4 percent) and high levels of stress (5.7 percent) also drag down workers' performance.

Figure E | Workers with health conditions have higher rates of presenteeism



Note: Measures of relative presenteeism represent one minus the ratio of self-reported performance during the last 30 days to usual performance over the last two years. Performance is rated on a 0 to 10 point scale with 10 representing top performance. Questions were based on the World Health Organization's Health and Work Performance Questionnaire.²

² Kessler, R.C., Barber, C., Beck, A.L., Berglund, P.A., Cleary, P.D., McKeenas, D., Pronk, N.P., Simon, G.E., Stang, P.E., Ustun, T.B., Wang, P.S. (2003). The World Health Organization Health and Work Performance Questionnaire (HPQ). *Journal of Occupational and Environmental Medicine*, 2003. 45(2): 156–174.

Age matters – quite a bit

Younger workers much prefer cash over premium credits of equal value. In fact, more than half of workers in their 20s and 30 prefer cash to an equal cut in the annual premium, whereas only one-third of older workers opt for cash. Instead, older workers prefer reductions in the annual deductible more than their younger counterparts (Figure 13). This is likely linked to older workers using health care services more often than their younger cohorts and thus being more likely to reach the annual deductible. However, workers of all ages value premium credits more than a comparable cut in the annual deductible. Yet, all age groups prefer contributions to their 401(k) over equal cuts in their premium.

Gap Closers: Potential Actions for Employers

- **Get the facts.** Evaluate population demographics to understand what incentives best drive desired behaviors.
- **Understand preferences.** Consider offering employees a choice of incentives.
- **Communicate clearly.** Let the employee know exactly what needs to be done to earn a reward and when an incentive can be received.
- **Consider changing your model.** Premium reductions may not be driving participation at the highest level.
- **Bring it all together.** Approach your incentive design as part of an overall wellness strategy and reinforce it through a supportive health culture with a comprehensive communication strategy backed by senior leadership.

Figure 13 | Older workers prefer incentives that lower deductibles

	Age Groups				
	20s	30s	40s	50s	60 and over
\$100 in cash	52%	51%	44%	44%	36%
\$100 reduction in your annual deductible	28%	24%	30%	33%	38%
\$200 reduction in your annual deductible	33%	41%	46%	54%	53%
\$100 deposit in a 401(k) plan	41%	44%	42%	42%	46%
\$100 deposit in a health savings account	28%	30%	29%	23%	31%
One in 10 chance to win a \$500 airline voucher	16%	13%	15%	12%	12%

Note: Numbers represent responses of "prefer a... over a \$100 reduction in annual premium" based on a four-point preference scale.

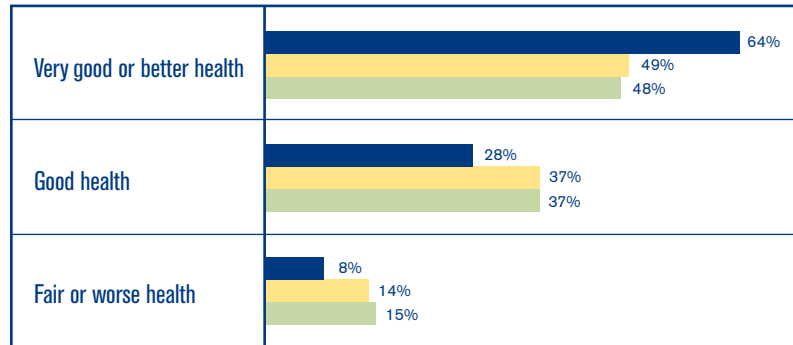
The Impact of High-Deductible Health Plans (HDHPs)

Younger, healthier employees tend to elect HDHP options

Employers have adopted high-deductible health plans (HDHPs) over the last decade to encourage workers to make smarter health care decisions. While there is no single definition, we consider plans with a deductible of \$1,000 or more for individual coverage to be a high-deductible plan with or without an account feature. According to the 2008 National Business Group on Health/Watson Wyatt Employer Survey on Purchasing Value in Health Care, 47 percent of employers offer a plan with a deductible of at least \$1,000 for single coverage in 2008, and 54 percent plan to do so for 2009.

Overall, 31 percent of respondents indicated that their company offered an HDHP, and roughly 30 percent of eligible employees enrolled in the HDHP. Generally, HDHPs are most preferred by those in their 20s, but least preferred by those in their 30s, perhaps connected to extra health care costs in establishing a family. Employees enrolled in an HDHP tend to report being in significantly better health than those enrolled in traditional health care programs. More than 50 percent of HDHP enrollees have annual pay of more than \$100,000 compared to 30 percent enrolled in a traditional plan.

Figure 14 | Most HDHP enrollees are healthier than employees in traditional health plans



■ HDHP eligible, enrolled ■ HDHP eligible, not enrolled ■ Traditional

Note: Very Good or Better represents responses of "exceptional" or "very good." Good represents responses of "good." Fair or worse represents responses "fair," "some health problems," or "have serious medical conditions."



HDHP adoption and the “consumerism spillover effect”

On the positive side, HDHP enrollees are more value conscious and discerning consumers. Specifically, they are more likely to choose a lower drug option when available (49 percent vs. 43 percent of non-enrollees), go to the doctor for more serious conditions (44 percent vs. 39 percent) and look for less expensive health care providers (17 percent vs. 7 percent). Not surprising, employees in an HDHP are more than twice as likely as those in a traditional plan to be saving additional money for their medical expenses (38 percent vs. 16 percent). In addition, many workers eligible for an HDHP, but not enrolled in the plan, also tend to engage in more good behaviors than those enrolled in a traditional plan. This could reflect a “consumer spillover effect” that happens by simply offering a HDHP (Figure 15).

The bad with the good

Because employees in HDHPs bear much greater risk for managing fluctuations in their health care costs in exchange for reduced premiums and potential tax-advantaged savings, there is great interest in whether this results in behaviors that could compromise the health of HDHP participants.

Employees in an HDHP are more likely than those in a traditional plan to skip a recommended doctor’s visit (26 percent vs. 15 percent) and doses of prescribed medications (21 percent vs. 15 percent). Even employees *eligible for but not enrolled* in the HDHP are also more likely to skip doctor’s appointments (21 percent vs. 15 percent) and not fill a prescribed dose of medication (20 percent vs. 15 percent). This may be driven by the fear that if they don’t participate the HDHP may become their only plan option.

Figure 15 | Offering an HDHP engages more workers in healthy behaviors

	Traditional plan		HDHP eligible, not enrolled		HDHP eligible, enrolled	
	2007	2008	2007	2008	2007	2008
Tried to take better care of myself	60%	66%	64%	70%	62%	61%
Chose a lower-cost drug option when available	38%	43%	50%	52%	47%	49%
Went to the doctor only for more serious conditions or symptoms	32%	39%	40%	43%	48%	44%
Saved additional money in an account that can only be used for medical expenses	12%	16%	19%	23%	24%	38%
Skipped a recommended doctor’s visit	–	15%	–	21%	–	26%
Did not fill or skipped doses of prescribed medications	14%	15%	12%	20%	14%	21%
Used programs offered by my company that help me do things like lose weight, eat healthier, stop smoking, exercise more	–	15%	–	18%	–	21%
Looked for less expensive health care providers	4%	7%	4%	8%	4%	17%
Talked to the doctor more carefully about affordable treatment options	9%	14%	12%	15%	8%	14%
Negotiated a lower price with the doctor	1%	2%	3%	2%	1%	1%

Many of the good behaviors are on the rise since compared to 2007 – particularly among those enrolled in an HDHP. For example, HDHP enrollees are much more likely than those enrolled in a traditional plan to look for less expensive health care providers (17 percent vs. 7 percent). More HDHP enrollees than last year talk to doctors more carefully about affordable options (14 percent vs. 8 percent) and save money in a separate account for medical expenses (38 percent vs. 24 percent). However, the bad behaviors have also increased, as HDHP enrollees are 50 percent more likely to skip doses of prescribed medications compared to last year (21 percent vs. 14 percent).

HDHP households taking a hit too

Rising health care costs have created financial difficulties for many American workers, particularly HDHP enrollees (Figure 16). HDHP members are nearly twice as likely as those in a traditional plan to say health care costs made it difficult for them to pay for their basic needs as those enrolled in a traditional plan (23 percent vs. 12 percent). Likewise, higher health care costs were more likely to influence HDHP participants' contributions to a retirement plan and more generally their ability to save for retirement. HDHPs are not linked to



increased stress levels nor do HDHP enrollees spend down their savings or borrow money to help pay for their health care expenses more than their counterparts who are not in the HDHP.

It is encouraging that reduced ability to save for retirement or using up savings to pay for health care costs over the last year are not trending up for HDHP enrollees. In fact, workers enrolled in a HDHP are much less likely to indicate increased stress levels due to higher health care costs compared to last year's findings (21 percent vs. 27 percent).

Figure 16 | HDHP enrollees indicate greater financial challenges but lower stress

	Traditional plan		HDHP eligible, not enrolled		HDHP eligible, enrolled	
	2007	2008	2007	2008	2007	2008
Made it difficult to pay for my basic needs, like food, heat and housing	9%	12%	11%	18%	12%	23%
Reduced my ability to save for retirement	16%	18%	22%	25%	24%	23%
Increased my stress levels	21%	24%	30%	31%	27%	21%
Decreased my contributions to a retirement plan	9%	11%	17%	17%	16%	21%
Used up most or all of my savings	6%	10%	7%	13%	10%	12%
Forced me to borrow money	5%	9%	6%	12%	8%	12%

Increased personal health involvement with HDHP members

HDHP members are much more focused on wellness and prevention compared with employees enrolled in traditional plans (Figure 17). Overall, 74 percent of HDHP enrollees participated in a company-sponsored wellness activity compared to 48 percent of traditional plan members. Notably, HDHP members are more than three times more likely to use a health coach, twice as likely to use provider quality tools and 60 percent more likely to take a health risk assessment. This can be explained in part by the fact that more employers with HDHPs offer these wellness initiatives. However, while more than two-thirds of all employees report getting preventive health care screenings, the practice is even more prevalent among HDHP enrollees than traditional plan members (76 percent vs. 67 percent).

Gap Closers: Potential Actions for Employers

- **Consider funding an HRA or HSA.** Provide adequate funding in employee accounts to cover several office visits and prescriptions.
- **Keep an eye on behaviors.** Use data to monitor prescription compliance for HDHP members or cover preventive medications through the plan. Engage your health plan to monitor and report on gaps in care and noncompliance.
- **Offer a full menu of consumer-facing programs.** Recognize the HDHP as just one component of a broad and comprehensive consumerism strategy.
- **Understand what works.** Pay attention to financial incentives and communication strategies and adjust as needed.

Figure 17 | HDHP enrollees are more involved in their personal health

	No HDHP	HDHP eligible, not enrolled	HDHP eligible, enrolled
Preventive health care screening	67%	69%	76%
Health risk assessment	22%	34%	35%
Tools that identify quality doctors, specialists and hospitals	14%	20%	29%
Programs that help me lose weight	18%	22%	21%
Biometric screenings	16%	22%	20%
Health coach or health advocate	5%	10%	17%
Health education program	9%	13%	16%
Programs that help me manage stress	8%	9%	13%
Programs that help me manage a chronic health condition	10%	11%	12%
Programs that help me quit tobacco/smoking	5%	6%	5%
Didn't use any health management program	52%	38%	26%

Conclusion

Employees continue to be mostly satisfied with their employers' health care offerings, but they are increasingly concerned about the continued rise in personal health costs. The good news is that even before the financial crisis employees have been taking actions to decrease their health care spending, such as choosing lower-cost drug options and better managing their own health.

To facilitate employee behavior change, more employers are creating a healthy work environment. While participation in wellness programs is low, our research shows that financial incentives can go a long way toward encouraging workers to take better care of themselves, leading to increased productivity on the job.

For example, by encouraging workers to complete preventive screenings and use a primary care physician, employers can effectively limit absenteeism and raise productivity. Companies can also benefit greatly from segmenting their workforce by factors such as health status.

Once various groups are identified, financial incentives and messaging can be targeted by demographic, job type and risk group in order to encourage specific employee behaviors.

One way employers have addressed the need for employees to make smarter health decisions is implementing HDHPs, a trend continuing to rise over the past decade. Employees enrolled in HDHPs report to be in significantly better health and make more value-conscious health decisions overall.



An HDHP is only one part of a comprehensive consumer strategy. As cost pressures increase, the need to encourage personal health involvement and behavior change will intensify and more employers will seek to create or improve their culture of health, i.e., a healthy work environment that recognizes and aligns employer goals and employee attitudes on health care. But, to build successful health, education and communication programs and tools, employers will need to listen to the voice of the consumer and respond accordingly. The companies able to do this well will be best positioned to build effective health care programs for the future.

Stay Tuned for Part II

Health issues are not the only factors that impact absence and presenteeism. A follow-up to this analysis, planned for publication in 2009, will examine how broader organization factors such as communication, rewards, manager relationships and engagement affect lost days and productivity loss at work. This research will also highlight the impact that stress attributed to work, personal and financial matters has on employee performance.

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