THE BURDEN OF CHRONIC DISEASE ON BUSINESS AND U.S. COMPETITIVENESS

EXCERPT FROM THE 2009 ALMANAC OF CHRONIC DISEASE
Our current economic reality reminds us that now more than ever, we need to invest in the backbone of our economy: the American workforce. Without question, the single biggest force threatening U.S. workforce productivity, as well as health care affordability and quality of life, is the rise in chronic conditions. As the largest providers of health insurance in the United States, America’s businesses are uniquely situated to help provide leadership in finding solutions to reduce chronic diseases and their contribution to rising health care costs.

Chronic diseases are significant drivers of health care costs. The majority of American employees have at least one chronic condition. Rapidly rising health care costs are making it more difficult for businesses to continue to offer health benefits. In fact, the total cost of health coverage doubled between 1999 and 2008, and health care costs are predicted to continue to increase rapidly.

While high costs can also be driven by unavoidable factors, the health crisis we currently face in this country is preventable. Many companies are taking active steps to prevent and reduce chronic diseases and improve employee health, including implementing workplace wellness programs. Well-designed health management initiatives, including worksite wellness programs, can help control costs throughout the health care system by managing existing cases and preventing millions of new cases of chronic disease. These programs also help employees live healthier lives.

The Partnership to Fight Chronic Disease (PFCD) and the United States Workplace Wellness Alliance (USWWA) – both broad-based, national coalitions with diverse memberships – are committed to finding consensus-based solutions to reform the health care system. We believe that by incentivizing chronic disease prevention and management within the system, we can create a healthier United States: One that can, in the context of business, produce a stronger and fiscally healthier U.S. economy poised to compete in the global marketplace.

Kenneth E. Thorpe, Ph.D.,
Executive Director, Partnership to Fight Chronic Disease

Anthony C. Wisniewski, Executive Director of Health Policy, U.S. Chamber of Commerce, Co-Chair, U.S. Workplace Wellness Alliance

Garry M. Lindsay, Managing Senior Program Officer, Partnership for Prevention, Co-Chair, U.S. Workplace Wellness Alliance
Employers provide the majority of health insurance for non-elderly adults in the United States. (Chart 1)

- In 2007, 162.5 million Americans received employer-based coverage.

Over the past decade, employer and employee contributions for health insurance have increased significantly. (Chart 2)

- The total cost of coverage doubled between 1999 and 2008, with employer contributions increasing from $154 to $332 and employee contributions increasing from $35 to $60.

Medically related benefits make up nearly one-third of all benefits costs and average approximately 10 percent of gross payroll.

Source: U.S. Chamber of Commerce

At the same time businesses are struggling to avoid layoffs, pay cuts, and benefit reductions, employee health care costs are skyrocketing. Without an investment in health reform, employers may be forced to reduce or eliminate benefits or may be driven out of business because of their inability to compete in the global marketplace.

Anthony C. Wisniewski, Executive Director of Health Policy, U.S. Chamber of Commerce, Founder and Co-Chair, U.S. Workplace Wellness Alliance
The urgent challenge facing all Americans to find a healthier lifestyle demands a fundamentally new and aggressive social response. Individually, each of us must take responsibility – and help our children and families take responsibility – for healthy living. Collectively, all sectors of our communities and nation must come together to advance a common strategy to remove the barriers and increase the opportunities for healthy lifestyles for individuals and families.

Neil Nicoll, President & CEO, YMCA of the USA

Approximately two-thirds of employers continue to offer health benefits to their employees, but the overall rate has slightly decreased as health costs have increased. (Chart 3)

- In a 2008 survey, 48 percent of small firms with less than 200 workers listed high premiums as the most important reason for not offering health benefits.

Source: The Kaiser Family Foundation Health Research Education Trust

<table>
<thead>
<tr>
<th>Chart 3 Firms Offering Health Insurance</th>
<th>1999</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Firms (less than 200 employees)</td>
<td>65%</td>
<td>62%</td>
</tr>
<tr>
<td>Large Firms (200 or more employees)</td>
<td>99%</td>
<td>99%</td>
</tr>
<tr>
<td>All firms</td>
<td>66%</td>
<td>63%</td>
</tr>
</tbody>
</table>

Source: The McKinsey Quarterly

In 2005, Starbucks announced it was spending more on employee health benefits than coffee. In 2009, rather than cut health benefits, Starbucks announced it would lay off 6,000 employees and close 300 stores.

Source: Associated Press
The U.S. has a higher hourly cost of health benefits in the manufacturing industry than other developed countries. (Chart 4)

- U.S. hourly health benefits costs were $2.38 per worker per hour in the manufacturing industry – considerably higher than the foreign trade weighted average of $.96 per worker per hour.

Source: The Heritage Foundation

For the United States to continue to be an economic leader worldwide, supported by a healthy and productive workforce, more attention needs to be directed toward health promotion and disease prevention.

Taken from Health Affairs, “Do Prevention Or Treatment Services Save Money? The Wrong Debate” by Ron Goetzel, Ph.D. Professor and Director of the Institute for Health and Productivity Studies, Emory University

GM, Ford, and Chrysler spend more on employee health expenses than on the steel they use to make cars. The cost of providing health care added $1,100 to $1,500 to the cost of each of the 4.65 million vehicles GM sold in 2004, according to various calculations.

Source: USA Today
American workers experience high rates of chronic disease. (Chart 5)
- Almost 80 percent of workers have at least one chronic condition.
- 55 percent of workers have more than one chronic condition.

Overweight workers incur larger medical costs and miss more days of work than normal weight coworkers. (Chart 6)
- Severely obese women are absent more than twice as often as normal weight women.
- Severely obese workers have greater rates of workers compensation claims than workers who weigh in at the recommended weight.

Jennifer Cabe, M.A., Executive Director, Canyon Ranch Institute

In today’s economically challenging times, investment in disease prevention makes even more sense than ever before. The health outcomes alone are compelling when people are empowered and educated to make healthy choices – at home, at work, in all schools, within our health systems, and in communities.
Worker productivity losses from missed workdays (absenteeism) and reduced effectiveness at work due to illness (presenteeism) are closely linked to problems with chronic illness. (Chart 7)

- Presenteeism is responsible for the largest share of lost economic output associated with chronic health problems.

Many employees report going to work despite being sick and most say they are not as productive.

- 21 percent of workers report that they have gone to work despite being sick or dealing with a non-work issue six or more days in the last six months.
- When asked, employers list chronic conditions as the biggest reason for presenteeism.

Source: American Institute of Certified Public Accountants

Absenteism is defined as work missed due to sick days.

Presenteeism is defined as the lost productivity that occurs when employees come to work but perform below par due to any kind of illness.

We are called by our mission to help all Americans lead healthier lives. Sixty-four million U.S. households live within three miles of a YMCA, making us a powerful force to advance creative and collaborative efforts to turn the tide of America’s growing health crisis.

Neil Nicoll, President & CEO, YMCA of the USA
We have both a moral and fiscal responsibility to get chronic illnesses – and the costs associated with them – under control. Moreover, we have a body of growing evidence that demonstrates ways to provide better family-centered care and prevent chronic illnesses.

Pat Ford-Roegner, MSW, RN, FAAN
CEO, American Academy of Nursing
Certain chronic illnesses are particularly costly to business. (Chart 10)
- The most expensive conditions in terms of presenteeism are arthritis, hypertension and depression.

Mental illness can worsen the burden of chronic disease at the workplace (Chart 11)
- When a worker with a chronic illness also has a mental health disorder, they are more likely to miss work than peers who do not.

It is true that new and re-emerging health threats such as SARS, avian flu, HIV/AIDS, terrorism, bioterrorism and climate change are dramatic and emotive. However, it is preventable chronic disease states that will send health systems and economies to the wall.

Stig Pramming, Executive Director, Oxford Health Alliance at 5th Annual Oxford Health Alliance Conference
The combination of the aging U.S. workforce, chronic disease and the market crisis led to a situation where health care costs must be addressed immediately to avoid increased taxes, reduced benefits, or draining other vital programs to pay for health care.

Anthony C. Wisniewski, Executive Director of Health Policy, U.S. Chamber of Commerce, Founder and Co-Chair, U.S. Workplace Wellness Alliance

Family caregivers are a critical support structure for Americans with chronic illnesses, and the U.S. health care system. (Chart 12)

- Family caregivers provide 80 percent of all long-term care services for chronically ill patients.
- In any given year, more than 50 million Americans find themselves in a caregiving role.

Employers are also affected when workers are the primary caregivers for family members with chronic conditions. (Chart 13)

- Employers can lose as much as $33 billion each year due to employees’ need to care for loved ones age 50 or older.

Source: Agency for Healthcare Research and Quality (AHRQ)

Source: Metlife Mature Market Institute and National Alliance for Caregiving
Companies are increasingly looking to address chronic disease as a means of improving the health of their employees and reducing health care costs. (Chart 14)

- In just one year (2006-2007), the percentage of companies tracking the chronic health conditions prevalent in their workforce increased from 43 percent to 77 percent, among a sample of employers tracked by Hewitt Associates.

Our efforts at reform must include a new focus on prevention, wellness and chronic disease. Health care should be about fostering good health, not just treating illness. We are gaining knowledge about how to prevent and manage diseases. If we expand and apply that knowledge, we can improve health outcomes and decrease the cost of health care.

Taken from hearing statement of Sen. Max Baucus, D-Mont., June 3, 2008
Many employers think that using wellness programs will be effective at both improving health and reducing costs. (Chart 15)

- Overall, 64 percent of firms think wellness programs will be effective at improving health and 44 percent of firms think they will be effective at reducing costs.

U.S. employers are driven by different goals than global firms when it comes to primary reasons for offering wellness programs. (Chart 16)

- U.S. employers, when compared to employers from Canada, Europe and Asia/Africa/South America, were the only group to cite reducing costs as their primary reason for offering wellness programs.

**Chart 15 Percent of Employers Thinking Wellness Programs are Effective at Improving Health or Reducing Costs**

<table>
<thead>
<tr>
<th></th>
<th>Small firms</th>
<th>Large firms</th>
<th>All firms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Improving health</strong></td>
<td>63%</td>
<td>79%</td>
<td>64%</td>
</tr>
<tr>
<td><strong>Reducing cost</strong></td>
<td>42%</td>
<td>68%</td>
<td>44%</td>
</tr>
</tbody>
</table>

Source: The Kaiser Family Foundation and Health Research Education Trust

**Chart 16 Relative Importance of Wellness Program Objectives – By Geography**

<table>
<thead>
<tr>
<th>Objective</th>
<th>US</th>
<th>Canada</th>
<th>Europe</th>
<th>Asia-Pacific/Africa/South America</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving workforce morale</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Improving worker productivity</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Reducing employee absences due to sickness or disability</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Attracting and retaining employees</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Reducing health care costs</td>
<td>1</td>
<td>5</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Improving workplace safety</td>
<td>6</td>
<td>7</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Promoting corporate image on brand</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Fulfilling social responsibility</td>
<td>8</td>
<td>8</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

* Ranking determined from “Important” and “Very Important” responses

Source: Buck Consultants
PhRMA, and many of our member companies, support innovative workplace wellness programs across the country. In addition, we are making investments in programs for our own employees. Good companies are focused on the well-being of their employees and profitability of their company.

Billy Tauzin, President & CEO, Pharmaceutical Research and Manufacturers of America (PhRMA)

54 percent of firms that offer health benefits offer at least one type of wellness program. (Chart 17)

- The most common wellness programs offered are gym memberships or discounts on exercise facilities and web-based resources for healthy living.
The majority of employees support employer-based weight management programs, particularly the policy of favorable tax treatment for providing exercise facilities. (Chart 18)

The growing prevalence of chronic disease nationally is especially hard on our nation’s employers, who need timely and relevant information about strategies to improve workforce health and to lower health care costs. Employee health and health benefits should be a fundamental part of every employer’s strategic business model – not just an unavoidable cost to manage. Employers recognize the need for business strategies that respond to increasing health costs associated with chronically ill employees and dependents.

Tracey Moorhead, President & CEO, DMAA: The Care Continuum Alliance

Certain indicators suggest that employer interest in wellness programs has increased considerably within the last year.

- Membership in the U.S. Workplace Wellness Alliance, an organization dedicated to creating a healthier U.S. workforce to allow for competition in the global marketplace, has more than tripled since May 2008.
Sources


ABOUT THE PARTNERSHIP TO FIGHT CHRONIC DISEASE

The Partnership to Fight Chronic Disease (PFCD) is a national coalition of patients, providers, community organizations, business and labor groups and health policy experts committed to raising awareness of the number one cause of death, disability, and rising health care costs in the United States: chronic disease.

The PFCD’s mission is to:

- **Challenge** policymakers to make the issue of chronic disease a top priority and articulate how they will address the issue through their health care proposals
- **Educate** the public about chronic disease and potential solutions for individuals, communities, and the nation
- **Mobilize** Americans to call for change in how policymakers, governments, employers, health institutions, and other entities approach chronic disease

For more information about the PFCD and its partner organizations, please visit: [WWW.FIGHTCHRONICDISEASE.ORG](http://WWW.FIGHTCHRONICDISEASE.ORG)

ABOUT THE UNITED STATES WORKPLACE WELLNESS ALLIANCE

The United States Workplace Wellness Alliance is a broad-based, national organization of businesses, health care advocates, and nonprofit organizations dedicated to the vision that a healthier U.S. workforce produces a stronger and fiscally healthier U.S. economy poised to compete in the global marketplace. The United States Workplace Wellness Alliance’s mission is to improve the health status of the U.S. workforce by increasing the number of U.S. businesses that incorporate sound employee health management initiatives that include worksite health promotion/wellness programs into their corporate and health care strategies.
For more information about the Partnership to Fight Chronic Disease, please visit

WWW.FIGHTCHRONICDISEASE.ORG