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Corporation, Heal Thyself; Employer Healthcare

By Michael J. Critelli

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The recently leaked confidential Wal-Mart memo exposes a reality that we are aware of but rarely see so blatantly exposed: the crisis of major employers staggering under the weight of skyrocketing healthcare costs.

Well, now is the time to reframe the healthcare debate. Improving corporations' health costs begins with improving America's health, and companies large and small can all do their part.

The current strategy of most companies – pushing down employer healthcare costs by beating up providers and shifting costs to employees – is a fool's errand; short-term costs go down, long-term costs go up. Prevention works in reverse: Companies pay a little more now, but reap the savings over the long haul. This strategy takes time to work. But a good number of companies have found that it is not just the right thing to do. The results flow to the bottom line.

Among the biggest line items in any corporate healthcare budget are treatments for long-term, chronic diseases that require daily management to avoid crises. Managing those diseases turns out to be far more cost-effective than not.

Take diabetes, for example. The American Diabetes Association reports that people with poorly managed diabetes lost more than 8 workdays per year, accounting for 14 million disability days. Or depression: A U.S. Surgeon General's report shows that untreated depression costs businesses as much as \$79 billion per year. The price tag is also extremely high for asthma, obesity, hypertension and smoking, among other health and wellness problems.

In addition, companies can get powerful results by encouraging workers to lead healthy lifestyles, particularly at a time when the workforce is aging and is likely to suffer more sick days and hospitalizations from being in poor shape.

A review of 73 published studies by Steven Aldana, a professor at Brigham Young University, found that companies engaged in work-site health promotion averaged a savings to cost ratio of \$3.50 for every \$1.00 invested in prevention. Another evaluation, which appeared in *The American Journal of Health Promotion*, found a 28 percent reduction in sick-leave absenteeism and a 26 percent reduction in healthcare costs in companies with established work-site health-promotion programs.

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The Partnership for Prevention, a nonprofit group that supports preventive health, estimates productivity losses related to health problems cost U.S. employers at \$225.8 billion annually.

Companies such as Dow Chemical and Land's End have publicly acknowledged the benefits of a proactive prevention and wellness strategy.

“At Dow, our analysis shows that prevention can improve both our direct healthcare costs and indirect health-related costs,” Andrew N. Liveris, president and CEO of the Dow Chemical Company said recently. “Our profit potential is intrinsically linked to the capability and performance of our employees.”

Land's End, for its part, offers on-site medical clinics, physical therapy, a registered dietitian and monetary award programs for tobacco cessation and weight management. It offers screenings, support groups, prenatal classes and massage therapy. During peak seasons the company offers incentives to workers who exercise daily with co-workers.

In 2001, Pitney Bowes, which covers 22,000 employees and another 24,000 dependents in the United States, slashed the amount our employees pay for some diabetes and asthma drugs to see if lower prices would encourage people to take their medications more regularly. The idea was to avoid costly medical crises by getting people to comply with their prevention regimens.

The results were dramatic. Since 2001, employees with these chronic illnesses have been refilling their prescriptions more regularly. We're paying a little more for medication, but the overall median medical cost for people with asthma has dropped more than 16 percent, and for diabetes 8 percent. Altogether the company is saving more than \$1 million a year by paying more of our employee's prescription-medication bills.

These programs are just part of the picture. Starting in the early 1990s our company launched educational seminars, Web-based and print education tools, obesity and stress programs, healthier foods in our cafeterias, on-site clinics and even promoted the use of staircases to encourage workers to walk rather than take elevators. These initiatives, and others, have kept our company's medical-cost increases well below national benchmarks for the past decade.

Measurable savings

For example, the cost of care for employees receiving primary-care services from on-site clinics was \$276 per year compared with \$645 for those treated outside in the community. In addition, we've seen a 66 percent drop in the average length of disability leave and a 19 percent reduction in lost workdays.

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Prevention strategies don't replace the annual exercise of negotiating with our healthcare providers and determining employee cost sharing. But prevention strategies clearly can generate the best long-term results by improving the health of workers and reducing health risks. Focusing on the waistline can do a lot for the bottom line.

Michael J. Critelli is the chairman and CEO of Pitney Bowes Inc.