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Expert Perspective

A conversation with:

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Building the case for health and wellness value of investment

In this edition of *Expert Perspective*, the Optum™ Resource Center for Health & Well-being interviews Karen Marlo, vice president, National Business Group on Health, and Seth Serxner, chief health officer at Optum. They discuss their perspectives on employers' growing interest in emerging metrics — beyond medical cost savings — to fully capture the value of their health management programs.

Optum Resource Center (ORC): What is value of investment (VOI) and how is it different from return on investment (ROI)?

Karen Marlo: Value of investment articulates the total value of employee health and wellness programs by capturing other emerging metrics in addition to medical cost savings. It is an emerging idea that is, frankly, long overdue. VOI attempts to understand all the benefits derived from employers' investments in population health management. We see growing interest in VOI among employers. Some leading companies have figured out how to quantify the full value of their programs, but most are still in the early stages.

Seth Serxner: ROI is still important, of course, but can be difficult to quantify when applied to certain benefits programs. VOI is broader than ROI — it includes both tangible and intangible outcomes. The industry is actually viewing program results within a multi-year time frame. We need to move beyond the traditional ROI model that is dependent upon demonstrating medical cost savings. VOI goes beyond health care cost savings to include improvements on health risk, quality of life, productivity and business performance metrics.

ORC: What types of metrics can help employers capture VOI?

Karen Marlo: Metrics will vary by employer, but broadly, you need to look at your health care costs, your population's risk factors such as obesity and tobacco use, absence patterns, worker safety such as workers' compensation claims, and short-term disability claims. Beyond that, employers should look at productivity and engagement measures. I've talked to many companies about linking health to operational and business performance, such as tying the number

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of units produced at a manufacturing plant to wellness program engagement. While it is harder to make these connections with knowledge workers, companies are using creative methods to measure engagement and job satisfaction such as:

- Measuring the rate of employee turnover
- Surveying employees to measure overall engagement at work
- Assessing employee satisfaction by asking, for example, "Would you recommend our company to others who are looking for a job?"

The next challenge is to help employers connect these metrics back to employee health and wellness programs.

ORC: What market factors might be driving the shift from ROI to VOI?

Karen Marlo: The key to success is good measurement. But measuring health and wellness programs isn't easy. Some employers have been frustrated measuring their programs' ROI because they haven't seen a significant positive return. Part of the reason is that the drivers of health care costs are multi-faceted — ongoing medical inflation, unwarranted practice variations among providers and high utilization among sicker populations. Concerned that they haven't been measuring all the things they should be, many employers are taking a different approach. They understand that a healthy lifestyle can mean happier and more productive workers who are less likely to be absent. That's the evolution to VOI.

ORC: Optum and the National Business Group on Health recently conducted a study examining why employers offer health management programs and how they measure their impact. What were some of the key findings?

Seth Serxner: There were several interesting results:

1. Ninety-one percent of employers offer health and wellness programs for reasons beyond medical cost savings.
2. Employers invest in health and wellness programs for three primary reasons. In order of importance: decreasing employee health risks; reducing health care costs; improving employee productivity.
3. Beyond these core reasons, several other reasons are emerging, such as reducing disability claims, improving job satisfaction, impacting business performance and attracting talented employees.

The data tells us that employers initially implement these programs to save on health care costs, but over time, they realize the value of these emerging reasons. For example, companies with mature health management programs — six years or more — are more likely to value employee productivity as well as cost savings. When you start to pair these emerging and primary drivers, you begin to build a more complete VOI model.

Source: Optum/NBGH VOI Study, 2014

ORC: What are some of the challenges that survey respondents face?

Seth Serxner: Only one-third of employers report having the metrics they need to justify the investment in health and wellness programs. Looking at the three primary reasons that these programs are offered — only 39 percent say that it's easy to track health risk reduction; 55 percent report that it's easy to track health care cost savings; and very few (32 percent) say that it's easy to track productivity.

We are not exactly sure why these numbers aren't higher, but it may be that for some employers, health risk reduction data is not truly representative because health assessment participation may be low, or they feel that the data lacks credibility because it is self-reported.

Karen Marlo: We think that employers may actually have sufficient data, but struggle to connect the metrics back to health and wellness program performance. Employers often tell me they have amassed

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a huge data set but aren't sure what questions to ask and how to find the answers. They need a sharper sense of what they want to measure and also need help making the statistical connection.

Another reason employers struggle to track certain metrics is that the data is often housed in different parts of the organization. For example, safety data might be stored with the facilities department, health care cost data may reside in HR, workers' comp claims data may be kept in the medical division, and business performance data may be scattered across several business units. Breaking down these silos in order to integrate and analyze data can be very difficult. Ultimately, it's human relationships, as well as data and analytics, that will enable employers to measure VOI.

ORC: What are some of the key takeaways from the research?

Karen Marlo: Employers need support from their vendor partners to make a broader case for health and wellness. Employers and their vendor partners must discuss how they can work together to integrate the data sets they both own. Similarly, internal discussions among HR and other departments where key data resides also need to occur so that employers can get a more holistic view of the data necessary to measure results.

Seth Serxner: In parallel, vendors can start building methodologies and reporting processes to help employers track emerging outcome metrics such as business performance, recruitment and retention relative to health and wellness program engagement.

Closing thoughts:

"We need to move beyond health care cost savings as a sole indicator of wellness program success and start making the connection between program outcomes and additional metrics such as health risk reduction and productivity. Optum is very focused on building reporting packages that will support a broader value of investment story."

— Seth Serxner, chief health officer, Optum

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