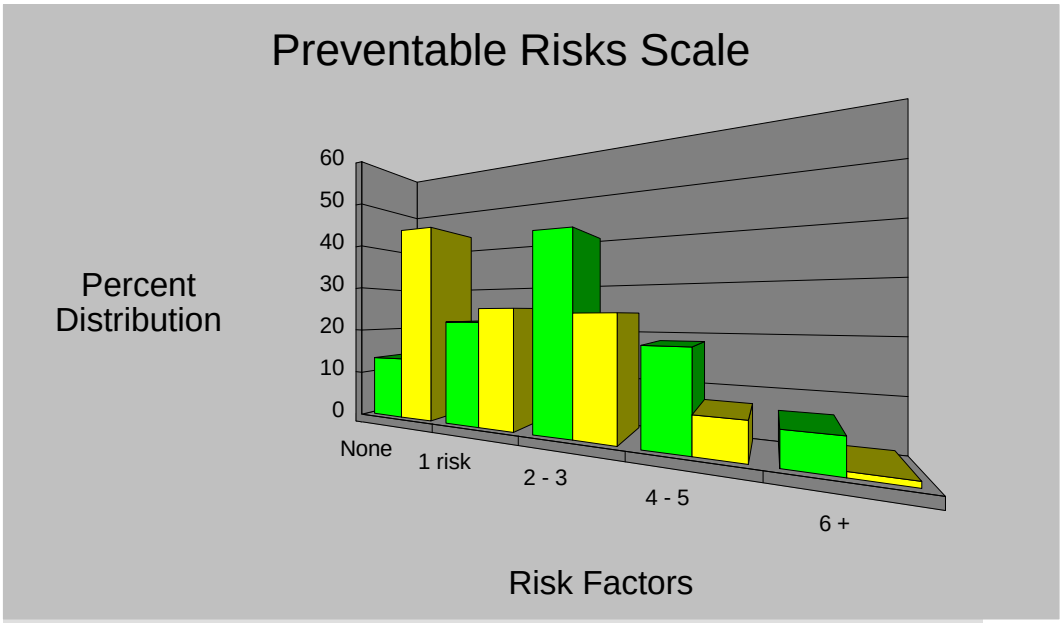
### *Economic Impact of Major Health Risks*

The national health care expenditure is currently 15% of the nation's gross national product, or nearly $6,000 per person per year. Due to high health care costs, many organizations are keenly interested in the financial savings that wellness programs can provide. Over two-thirds of all companies surveyed have initiated wellness and safety programs to help curb these fast-rising costs. Recent scientific research reveals significant cost savings can be achieved by reducing health risks. Other benefits include increased productivity and job satisfaction and decreased lost time from sickness.

Risk Factors Associated with Higher Medical Claims:

- 5+ sick days/year
- Monthly drug use
- 21+ alcohol drinks/week
- Smoker
- Sedentary
- Occasional seat belt use
- Low life satisfaction
- 3+ stress signs
- > 20% overweight
- Systolic BP >= 140
- Health age > 4 years over potential health age
- Cholesterol > 240
- Diastolic BP >= 90
- Not satisfied with job
- Has COPD
- Serious health problem
- Poor health perception




| | | | | | |
|---|---|---|---|---|---|
| (n) | 688 | 1,132 | 2,066 | 940 | 316 |
| (%) | 13.4 | 22.0 | 40.2 | 18.3 | 6.1 |
| 5-year projection (%) | 43 | 25 | 24 | 7 | 1 |

Current Realistic Goal

## Preventable Risks and Health Care Costs

A number of health risk factors have been shown to be associated with higher medical claims (see side bar). The presence of multiple risk factors provides a better prediction of future claims experience than any single factor. Based on the risk factors of participants in this group, the average medical claim per person is projected to be $3,986.82.* (A)

When your group is compared to a group with zero risk factors (average claim= $1,385.65), your average preventable cost per person is $2,601.17 per year. However, to achieve zero risk factors for all people is not a realistic goal. A more realistic method of estimating preventable costs is to compare your group with a company that has had an ongoing comprehensive wellness program in place for a number of years (average claim = $2,673.93). This comparison shows preventable costs per person for your group to be $1,312.89.

Therefore, by reducing preventable risks with an effective ongoing wellness program, your group could achieve a realistic total savings of $6,750,856.73 per year. (1,312.89 x 5,142 = 6,750,856.73)

* Average annual individual medical claims do not include spouse, dependent, or maternity claims.

(A) Adapted from - Yen, L. et. al., Associations between health risk appraisal scores and employee medical claims costs in a manufacturing company. American Journal of Health Promotion, 1991; 6(1):46-54. Claims have been present-value adjusted using average premium inflation rates.

**Personal Wellness Profile**
**Economic Impact Report in the Executive Summary**

Estimating Claims Cost Savings by Lowering Risk Factors

The Economic Impact Report looks at specific preventable risk factors associated with higher health care costs. These risk factors are listed on the bottom left of the Economic Impact page. The presence of multiple risk factors is associated with higher health care costs and provides a better prediction of future claims experience than a single factor.

When printing an Executive Summary report for a group, you may enter the average health care claims cost per person of your group to compute a better estimate of potential cost savings. If you do not have the average claim cost of your group, the PWP program uses the national average health care claim cost per person (claims cost for ages 18-64 years) as a default value.

This sample report was on 5,142 real people with an average age of 45 years old. First, look at the distribution of people with different numbers of risk factors in this sample group. Each dark shaded bar in the graph represents a risk factor category. The far left dark shaded bar represents the number of people who have zero risk factors. The next dark shaded bar is the number of people with one risk factor, the next is the number with 2-3 risk factors. Next is the number of people with 4-5 risk factors, and the far right dark shaded bar is the number of people with 6 or more risks.

The number and percent of people in each of these risk categories (0 – 6+ risk factors) is printed in the (n) and (%) lines below the bar graph. The goal is to reduce the number of risk factors in your group with a comprehensive wellness program over several years. The 5-year projection (%) line shows a more realistic percentage of people in each risk category after reducing the preventable risk factors over time with a comprehensive wellness program.

The total claims costs per person rises as the number of risk factors increase. The first paragraph below the graph states the average claim cost ($3,986.82 based on 2004 UDHHS, CDC, Health Statistics figures) per person in this sample group. This cost is based on the number of people in each of the five risk factor categories above and the increased cost for each category. (Using the national average health care cost per person of $3,745 for ages 18 – 64 and the Yen, Steelcase study percentage of increased cost for each risk category).

When comparing this sample group with a group having zero risk factors, (the first figure in the second paragraph shows the average claim per person with zero risk factors to be $1,385.65), the average preventable cost per person per year is shown to be ($2,601.17) for this sample group. ($3,986.82 - $1,385.65 zero risks = $2,601.17). However, it is not realistic for an entire group to achieve zero risk factors.

A more realistic method of estimating preventable costs is to compare this sample group with a company that has had an ongoing comprehensive wellness program in place for a number of years. (The white bars in the graph represent the distribution of people in a company with an ongoing comprehensive wellness program). The last part of the second paragraph shows the average claim ($2,673.93) for the company with an ongoing wellness program. By comparing our sample group with the wellness company group, we see the preventable costs per person savings for this sample group to be $1,312.89. ($3,986.82 - $2,673.93 = $1,312.89)

The third paragraph shows the estimated total realistic cost savings per year of the whole sample group to be $6,750,856.73 dollars. ($1,312.89 x 5,142 people = $6,750,856.73 total potential savings per year).

In time you will see the claims cost being reduced and you should see a substantial savings. The reduction in claims cost is progressive over time, but may level off after about five years with a comprehensive wellness program in place. The goal would then be to keep risks down to achieve a continued preventable cost savings.

Source: Adapted from – Yen, L. et. al., Association between health risk appraisal scores and employee's medical claims costs in a manufacturing company. American Journal of Health Promotion, 6(1):46 – 54.

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