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## IMPROVING ATTORNEY AND STAFF HEALTH IS KEY TO INCREASING FIRMS' BOTTOM LINE HEALTH

### Employee Benefit Check-Up

If the US healthcare industry were an economy itself, it would be the world's 8th largest, with over \$1.7 trillion in annual expenditures — about the size of the entire gross domestic product of Italy.<sup>1</sup>

Not only is it huge, it promises to get bigger.

The factors driving double digit increases in healthcare costs are technologically, socially and politically complex. They include an aging population; an insatiable desire for new and life-extending technologies; an indifference to cost at the point of care; direct-to-consumer advertising; and a lack of integrated medical information systems.

In addition, an expanding pool of uninsured citizens and non-citizens promises to reinvigorate the debate around universal health insurance. Unfortunately, changing *how* we pay for health insurance cannot mitigate the factors driving the underlying cost increases.

Taking all factors into account, there is one simple way to summarize the root cause of our problem:

*We consume too much healthcare because we are too unhealthy.* Simple as that.

Research shows that about 50% of health status is determined by lifestyle<sup>2</sup> and the data further shows that lifestyle-

based decisions are having a very negative impact on our health and on health costs. For example, heart disease, cancer and stroke are the three leading causes of death in the United States, and obesity is the leading cause of all three.<sup>3</sup>

Further to this, tobacco use (18%) and poor diet/physical inactivity (17%) combined are responsible for 35% of the approximate 2.4 million people who die in the US each year.<sup>4</sup> Medical experts estimate that somewhere between 20% and 60% of medical costs are related to modifiable risk factors that can be controlled or eliminated.<sup>5</sup>

Understanding the very direct impact that lifestyle has on both health and healthcare costs is arguably the single most important and *modifiable* factor to focus on when looking for ways to alter the gloomy forecast of continued healthcare inflation.

Focusing on improving health is not a job just for large self-insured employers. Anytime a health insurance carrier contemplates renewing or initially underwriting an employer, they look for any available data that will help them assess the degree of risk. The higher the risk or the greater the uncertainty, the higher the premium. The better the risk profile or the less that is uncertain, the lower the premium.

Actions that can be documented to

lower health risks in a population can and will have a direct and near term impact on the employer's health insurance premium bill.

Poor health not only costs us at the health insurance checkout stand, it also has other significant costs, both direct and indirect.

Direct impacts of poor employee health include higher employer expenses for sick leave and disability plans, overtime costs for covering workers, and expenses associated with procuring and paying temporary workers.

Indirect costs are even bigger ticket items, as they reflect the lost productivity of the absent worker and the reduced productivity of co-workers who attempt to cover for that worker. The best estimates are that absenteeism costs American businesses about 5.1% of their annual budgets.<sup>6</sup> This does not take into account the impact of presenteeism, which includes the liability of employees who are present in the workplace but performing below capabilities because of poor health and other personal factors.

The congruence of all these health-related factors represents a huge opportunity for law firms — arguably a greater opportunity than it is for other employers. Why? *Because there are very few industries where the financial impact and contribution of human capital is as important and as difficult to replace as in a law firm.*

If billing rates are a fair proxy for the economic value of a day's work, it is simple math to determine that a day lost to preventable health-related factors costs most firms anywhere from \$1,500 to \$5,000 per attorney. A lost week is \$7,500 to \$25,000. Multiply these out by fully or partially lost days related to illness and it's easy to see that there is a lot

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of money on the table and that savings in health insurance-related costs are likely to be frosting on the cake relative to the much larger productivity-related opportunity.

Beyond just having a high ROI potential from health improvement, law firms are better positioned than most employers to be successful in improving the health of their employees for the following reasons:

- Relatively long employee tenure decreases the likelihood that the firm is getting an employee healthy for another employer's benefit.
- High concentrations of employees by location increase the firm's ability to communicate and deploy effective health promotion strategies.

- Highly educated and “wired” employee and dependent populations increase the ability to leverage a new generation of web-based health promotion resources.

This isn't to say that law firms aren't without their own special challenges in trying to improve employee health. Chief among these factors would be getting attorneys and staff to pay attention to a health promotion program and overcoming a host of objections related to everything from inertia to privacy concerns.

So, what would a successful health promotion or population health management (PHM) program look like?

While there are different approaches and spins, a modern PHM program will typically include specific services that are provided by an independent third party as well as health-focused activities for which the law firm takes ownership.

The outsourced functions usually include tasks where the firm does not have the necessary expertise and where employees would need assurance that their personal information was not accessible by the firm.

For these reasons, selecting the right population health management company is a critical step. A firm will want to keep this relationship in place for many years in order to avoid disrupting the momentum gained from the serial accumulation and reporting of data at an individual and a firm-wide basis. With this mind, firms may want to think carefully before choosing their health insurer as their core PHM partner as doing so may conflict with future decisions that need to be made relative to insurance and/or healthcare networks.

The core elements of an outsourced

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PHM program would typically include:

▶ **Health Risk Appraisals (HRAs).**

An HRA is an assessment designed to assemble information about a person's health history, current health, family health, lifestyle, stress level, diet, and exercise habits. HRA questionnaires can be deployed both in hardcopy and online. The most effective programs require that participants complete an HRA at least every six months and more frequently as health status dictates.

▶ **Health Report and Action Plan.** A direct outcome of the HRA is a personalized health report and action plan that quantifies a person's health status in a number of objective ways. The assessment provides an initial and recurring benchmark from which improvements or declines in health status can be measured. The action plan element of the report will highlight areas where improvement can be made and will provide suggestions for accomplishing change.

▶ **Health Improvement Resources.** These informational resources

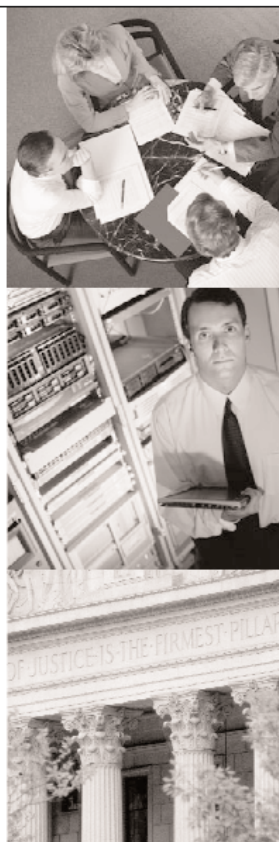
include both hardcopy and web-based tools that employees and dependents can access to help them in shaping and executing on their personal health improvement plans.

▶ **Telephonic Health Coaching.** During the HRA, employees and dependents indicate whether they would be open to receiving calls from a health coach to discuss their HRA results. Health coaches are nurses, dieticians and other health specialists who make outbound calls to help people understand their health risks, outline actions plans for improving them, and follow up on progress in meeting the established goals.

▶ **Lifestyle Case Management.** People with more acute health risks qualify for specific lifestyle case management or intensive health coaching programs that are multi-week programs designed to address some of the more costly and modifiable health risks like asthma, high blood pressure, diabetes, obesity, smoking and stress.

On average about 20% of an employer's population have health risks that are adverse enough to qualify for either health coaching or more intensive lifestyle case management programs. The presence of structured human-touch outreach programs differentiates run-of-the-mill internet PHM services from those that constitute best practices and, thus, are most effective.

HRAs and related health promotion services are critical elements of a program, but must be complemented by a



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number of workplace-based initiatives that support the firm's commitment to improving health. The reality is that it's often easier to talk about health and spend a few dollars on it than it is to change an established culture and traditional workplace routines.

Examples of cultural changes might include executive endorsement and visible participation in workplace health improvement activities; health fairs with biometric testing; healthier choices of food and beverages provided in work site break rooms, vending machines and workplace cafeterias; workplace coordinated walking and running clubs; enticements to use stairways instead of elevators; and onsite Weight Watchers or other dietary improvement programs.

Beyond the challenges of designing the program components, each firm will be faced with special challenges related to incenting attorneys and staff to participate in the menu of programs offered. The greater the participation, the better the opportunity for success. Incentives for participation in worksite health promotions can range from cash incentives to more punitive measures such as requiring participation in the health promotion program as a requirement of ongoing enrollment in benefit plans.

Comprehensive programs can be developed for about \$6–\$10 per employee per month and most employers find that a comparable investment is required in the form of incentives to secure initial and ongoing support.

If properly structured, it is possible to offset a portion of the hard dollar costs of the PHM program via negotiations

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with the firm's core health and disability insurers. The enlightened ones realize that they have much to gain and very little to lose.

The best industry data indicates that the ROI for most PHM programs is between 3:1 and 5:1.<sup>7</sup> This takes into account just the savings associated with direct cost reductions (insurance and benefits), and does not include the indirect cost savings from minimizing productivity losses. Whatever the ultimate net cost to the firm, a PHM program, with its potential for huge dividends, is a small investment when measured against mounting healthcare premiums and the tremendous investment firms are making in their attorneys and staff.

Our initial work on PHM with law

firms has revealed a keen interest in taking steps to put PHM programs in place. Firms quickly buy into the concept and the logic behind them, but the realization of the internal cultural change that needs to accompany the outsourced programs does slow the pace and scope of adoption.

Over the next few years we expect to see PHM adoption take hold at progressive firms where there is strong executive level support of the need and reward associated with improving the health of the workforce and their dependents.

*Roger Arlen is the President of Arlen-Group, the leading provider of employee benefit consulting and brokerage services to the top 100 law firms in California.*

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