



## Is Your Organization a Healthy Enterprise?

By Steven Cyboran and Zsuzsa Palotas

**A** major, but often unrecognized, factor underlying most employers' health care problems is that the current system was designed to *treat* rather than *prevent* illnesses. The result, as Dr. Nancy Nielsen, the president of the American Medical Association, recently noted, is that "We are living longer, but we are not living healthier."<sup>1</sup> Moreover, the relatively poor health of Americans has the potential to undermine an organization's ability to execute its strategy. For example, according to one study, employees who have three or more health risks have health care expenditures that are 38 percent higher and absence-related costs (*i.e.*, short term disability, workers' compensation and incidental absence) that are 30 percent higher than those for employees who have fewer risks.<sup>2</sup> In addition, the costs of health-related productivity problems are, on average, 2.3 times greater than medical and pharmacy costs.<sup>3</sup> To build on this notion, the World Health Organization defines health as "a state of complete physical, mental and social well-being and not merely the absence of infirmity."

Recognizing these factors, some forward-thinking organizations — what we call health-focused enterprises — have taken steps to address both the health and the health care needs of their employees. They do so by partnering with their employees on not just health care *problems*, but also on preventive health care *solutions* that aim to optimize health and fitness, not just eliminate risks. This shift is evident in the orientation many organizations demonstrate as they strive to become a full-fledged healthy enterprise (see below).

### The Evolution of a Health-Focused Enterprise

Based on investigations of best practices, our independent research<sup>4</sup> and experience with clients, Sibson Consulting has identified three generations of health-focused enterprises:

1. **The Treatment-Focused Enterprise** These first-generation organizations focus on addressing health care issues after they occur, rather than on prevention. They often become aware of issues through large claims increases and concentrate on reducing costs rather than improving health. Treatment-focused enterprises may overlook the costs associated with productivity losses caused by health-related absences.
2. **The Management-Focused Enterprise** These second-generation organizations focus on promoting better health, both physical and mental, for employees and family members by helping them identify health risks and conditions and then address them through supportive resources.

They are increasingly proactive in promoting the employer's role in encouraging safety, personal accountability and health risk and condition management through healthy behavior.

3. **The Healthy Enterprise** These third-generation organizations have a commitment to optimizing the health and fitness of employees. It is imbued throughout the culture as a means to enable employees to fully engage in their work and their personal lives. (See the sidebar "[Holistic Health](#).") Evidence of a "culture of health" is reflected in all aspects of organizational behavior, from emphasizing leadership sponsorship to maintaining a smoke-free environment. Healthy behavior is encouraged, exhibited and rewarded. Some healthy enterprises also consider the financial wellbeing of their employees as part of the total picture.

Trying to achieve a culture of health right out of the blocks can be a daunting task that is outside the scope of HR. A more realistic strategy is for the organization to begin by determining how to optimize success within the current culture. Many organizations start promoting health and wellness by repackaging the programs and services they already have in place. They then add resources (e.g., health-risk assessments and screenings) to help employees understand their risks and conditions and to better manage them through behavior modification (e.g., using health coaches, education and other tools).

### How Healthy Is Your Organization?

A number of factors differentiate the three generations of a health-focused enterprise. For example, where a first-generation enterprise will focus on treatment, a second-generation enterprise will focus on managing risks and conditions by changing behavior. A third-generation enterprise, however, will focus on optimizing health and fitness by maintaining a culture of health that is evident at every level of the organization.

In addition to this strategic orientation, each generation of a health-focused enterprise is characterized by its approach to health plans, time-off programs, workplace support, behavioral health programs, communications, measurement and metrics, and organizational behavior. (See the table below, for a sample of key distinguishing features.)

**TABLE: THE KEY DISTINGUISHING FEATURES OF THE THREE HEALTH-FOCUSED ENTERPRISE GENERATIONS**

	The Treatment-Focused Enterprise (First Generation)	The Management-Focused Enterprise (Second Generation)	The Healthy Enterprise (Third Generation)
Characteristics	Distinguishing Features		
Health Plans (Medical, Rx, Dental, Vision)	Minimizes administrative and unit costs and encourages outcome-based treatment	Facilitates risk identification and reduction as well as condition management	Strives to optimize the health and fitness of employees and their dependents
Time-Off Programs, including Short- and Long-term Disability	Replaces pay	Focuses on safety, personal accountability and risk management	Stresses life-long health, personal and professional renewal
Communications	Provides benefit coverage and required disclosure information	Engages employees and dependents to shape behavior	Communicates its commitment to health and wellbeing
Organizational Behavior	Effectively addresses unacceptable employee behavior	Utilizes robust performance management, training and mentoring to shape desired employee behavior	Has leaders of the organization model behavior that is consistent with the values of the organization

Source: Sibson Consulting

For a comprehensive version of this table — which includes information about workplace support, behavioral health programs and measurement and metrics — contact [Steven Cyboran](#) or [Zsuzsa Palotas](#).

While relatively few organizations have evolved into full-fledged healthy enterprises, the number is increasing as more leaders recognize the strategic benefits of leveraging a strong health orientation into improved productivity in support of financial success. (For a look at how one employee might fare in the three types of health-focused enterprises, see the sidebar "[Three Health-Focused Enterprises: One Hypothetical Employee's Experience.](#)")

## How to Become a Healthy Enterprise

The first step to become a healthy enterprise is to identify opportunities for improvement. There are several activities that organizations can undertake:

- **Develop a philosophy and strategy**, a health and productivity mission and vision that supports the organization's goals and fits its culture. The organization also needs to establish goals for the initiative. If it has not used metrics in the past, it should start with something simple and build from there. Wellness pioneer Dee Eddington<sup>5</sup> promotes the idea that the first step is, "Don't get worse" and then, "Let's create winners, one step at a time." For example, if 50 percent of an organization's workforce is currently overweight, the initial goal would be to ensure that this number does not increase.
- **Take a wellness inventory** to identify the existing wellness benefits and practices included in the organization's health and welfare plans (*i.e.*, medical, prescription drug, disability, dental and vision) as well as any supplemental wellness benefits (*i.e.*, an employee assistance program, work/life programs, safety training, online resources and official/unofficial workplace programs and support). Assess the effectiveness with which wellness benefits and programs are branded, communicated and made accessible to employees.<sup>6</sup> Look at whether current practice supports the organization's vision and strategy and determine whether the health plan presents barriers to healthy behavior (*e.g.*, no coverage for nutritional counseling).
- **Conduct benchmarking studies** of the organization's health and welfare programs and practices to see how they compare to what the organization's peers are offering.
- **Perform an analytic review** of the organization's health and welfare programs and practices, including the outcomes they produce and their relative return on investment.
- **Conduct a cultural assessment** to review the behavior that affects the organization's health. This evaluation needs to examine the relationships between the organization's healthy enterprise investments and the employees' sense of affiliation, work content, career opportunities, benefits and compensation.<sup>7</sup>

After an organization has defined its strategy, it needs to devise a plan to implement it. It is of utmost importance to keep things fresh and respond to new ideas and initiatives as they present themselves. (For a look at the outcomes achieved by one higher education institution, see the sidebar "[Case Study.](#)")

## Conclusion

Most organizations seek to optimize their workforce by reevaluating all of their investments to determine what is essential to carry out their business strategy while maintaining and enhancing the current and desired culture of the organization. A well-thought-out healthy enterprise initiative can lead an organization to better control its health care and absence-related costs while helping its employees stay engaged, healthy and productive.

**Perspectives readers are invited to participate in Sibson Consulting's online [Healthy Enterprise Survey](#).**

**Sibson Consulting's [Healthy Enterprise Initiative](#) creates a healthy environment for employees and their dependents, which reduces workforce costs and enables employees to engage in their work and life more completely.**

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1 "[America's Health Checkup](#)," *Time*, December 1, 2008.

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2 "[Association of Health Risks With the Cost of Time Away From Work](#)," *Journal of Occupational and Environmental Medicine*, Volume 44, Issue 12, December 2002.

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3 "[Health and Productivity as a Business Strategy: A Multiemployer Study](#)," *Journal of Occupational and Environmental Medicine*, Volume 51, Issue 4, April 2009.

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4 Sibson Consulting's 2007 [Healthy Campus Survey](#).

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5 Dee Edington is director of the University of Michigan Health Management and Research Center.

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6 For more information on conducting a wellness inventory, see the article "[Is Your Wellness Program a Scattershot Effort...or on Target to Serve Employees and the Organization?](#)" in the June 2008 issue of *Perspectives*.

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7 For more information on these five elements — sense of affiliation, work content, career opportunities, benefits and compensation — see Sibson Consulting's [Rewards of Work Study: First Report of 2006 Results](#). A first look at the results of Sibson's latest Rewards of Work Study can be found in this issue of *Perspectives*, in the article "[How Do Employees Rate Their Rewards in 2009?](#)"

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## Holistic Health

A number of organizations are taking a growing interest in the holistic health of their employees to promote complete health and fitness. Holistic health is defined as "a concept that concern for health requires a perception of the individual as an integrated system rather than one or more separate parts, including physical, mental, spiritual and emotional."\*

\* Source: Mosby's Medical Dictionary, 8th edition. © 2009, Elsevier.

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## Three Health-Focused Enterprises: One Hypothetical Employee's Experience

One way to illustrate the differences in the three health-focused enterprise generations is to look at what would happen to a key employee named D.K. (a 55-year-old male who is at risk for developing heart disease), depending on the kind of organization for which he works:

- **The Treatment-Focused Enterprise** D.K. is driven to develop risk factors for heart disease by years of eating unhealthful food coupled with increasing pressure in the workplace. His underlying risk factors go undetected for years and his heart disease is likely to be diagnosed as the result of a medical emergency. D.K. may need surgery, which will mean an extended absence from work and lost productivity. When he returns, he may find it hard to commit to healthier behavior due to stresses and temptations in the workplace. D.K. also will be challenged to get the mental and emotional support he needs to change his health-risk behavior.
- **The Management-Focused Enterprise** D.K. receives strong support at work and may become aware of his risk for heart disease through a health-risk assessment, for which he receives an incentive to complete before he develops clear symptoms. He may also receive support from various programs to delay the onset of the condition, but he will still face challenges in the workplace and will probably revert to his previous behavior.
- **The Healthy Enterprise** D.K. works in a strongly supportive environment that encourages and incentivizes healthy behavior, which makes him less likely to develop risk factors for heart disease. He learns the importance of personal renewal and taking care of his health for both personal and professional reasons. D.K. understands the organization's commitment to a healthy workforce. Moreover, he views the organization as a support system for a healthier lifestyle, with leadership serving as models of healthy behavior and an environment with limited temptations and potential pitfalls.

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## Case Study

Duke University and Health System, a large research institution with extensive investments in various health initiatives aimed at controlling costs, requested assistance to:

- Facilitate discussions between its faculty, staff and leadership to define the desired state of health care on campus, and
- Identify the metrics and stages of maturity across the different dimensions of a healthy campus so it could measure and communicate progress.

## The Solution

Sibson Consulting helped conduct literature research to identify state-of-the art practices in both higher education and industry. Sibson and Duke worked in partnership to develop a "straw man" of the desired state that was used in focus groups with key clinical and administrative leaders to finalize the desired state and profile of a healthy campus. Metrics were developed to measure the current state along with the institution's progress along the stages of maturity toward its desired state.

## Result

Duke University's health care costs increased only 1 percent per year for the past four years. There was significant improvement in participation, compliance rates, rates of absence and outcomes for targeted programs addressing prevention, diabetes, cardiovascular disease and pediatrics. Annual savings are conservatively estimated to be approximately \$18 million. Specific documented outcomes include:

- Reduced rates of hospital admissions, emergency room visits and average lengths of stay for those admitted to the hospital,
- Lower health risks with large percentages of participants becoming risk-free (*e.g.*, over five years, 69 percent of participants who were at risk for cholesterol and 59 percent for blood pressure became risk-free; the institution's smoking rate is almost 70 percent lower than the national average, which is significant, considering Durham, NC's history in the tobacco industry, and
- A 17 percent decrease in the use of sick leave over a four-year period.

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