A Publication of the Wellness Council of America

# WELCOA's News & Views

## In Search of…

# Return on Investment

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## About David Chenoweth, PhD, FAWHP

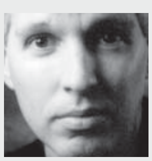
David Chenoweth is President of Chenoweth & Associates, Inc., an international health data analysis and evaluation firm. Over the past 31 years, he has conducted program, policy and risk factor-specific econometric evaluations for business, industrial, health care and governmental organizations throughout the U.S. and Europe. He served as chief econometric analyst for the well-known *Physical Inactivity Cost Calculator*, developed *EconoHealth*™ and co-developed *CalcuL8*™. He frequently speaks on corporate health and productivity management issues and has written nine books on worksite health management including *Evaluating Worksite Health Promotion*. He is a Fellow of the International Association for Worksite Health Promotion and received his PhD from Ohio State University.

# WELCOA's News & Views

An Expert Interview with

## David Chenoweth

## About David Hunnicutt



Since his arrival at WELCOA in 1995, David Hunnicutt has interviewed hundreds of the most influential business and health leaders in America. Known for his ability to make complex issues easier to understand, David has a proven track record of asking the right questions and getting straight answers. As a result of his efforts, David's expert interviews have been widely-published and read by workplace wellness practitioners across the country.

David Hunnicutt can be reached at dhunnicutt@welcoa.org.

*A healthy workforce can reduce health care costs and boost a company's bottom line. Through improved productivity, less absenteeism and fewer risk factors, results-oriented worksite wellness programs can have a positive impact on your employees' health and bring about returns on wellness investments. Even a $1 per employee investment in wellness programs can save up to $3 in health care costs, as demonstrated by professionals in the field.*

*It is good business for companies to provide employees with the information and tools that will empower them to adopt healthy behaviors. Results from America's Healthiest Companies demonstrate the importance of investing in your company's best asset—your employees—and the impact that wellness initiatives can have on your bottom line.*

*It often takes just a small improvement (sometimes, less than a 1% reduction in risk factors) to make wellness initiatives pay off! In this Expert Interview, WELCOA and International Health Data Analyst, Dr. David Chenoweth, offer you the most current information and tools you need to create results and evaluate the impact of worksite wellness initiatives on your company's bottom line.*

**David Hunnicutt: Can worksite wellness programs actually demonstrate a positive return on investment?**

**David Chenoweth:** Yes. I think many programs have shown a positive ROI. Without exception, high-performing worksite programs master the four "Ps" of good marketing. For one, they have a good program/product that is strategically designed to meet the unique needs and interests of their employees. Secondly, they promote their programs. They generate pizzazz and motivate employees to regularly participate long enough to achieve results. Third, they price their programs so employees pay little, if anything, to participate. Concurrently, they offer employees an upfront incentive or back-end reward to maintain participation. The fourth P is placement. Programs that generate positive ROI are readily available and accommodating; they fit into employees' schedules and lifestyles. I think when all of these conditions are met, you begin to see programs with a positive ROI.

**DH: Can a worksite wellness program actually contain escalating healthcare costs?**

**DC:** I think the operative word you used—you hit the nail right on the head—is contain. Many of us who started out 30 years ago made the false assumption that worksite health promotion would automatically reduce healthcare costs. However, we dug beneath the cost shell and quickly learned the "15/85 rule." Over the years, we have seen that about 85 percent of a company's health-related costs are driven

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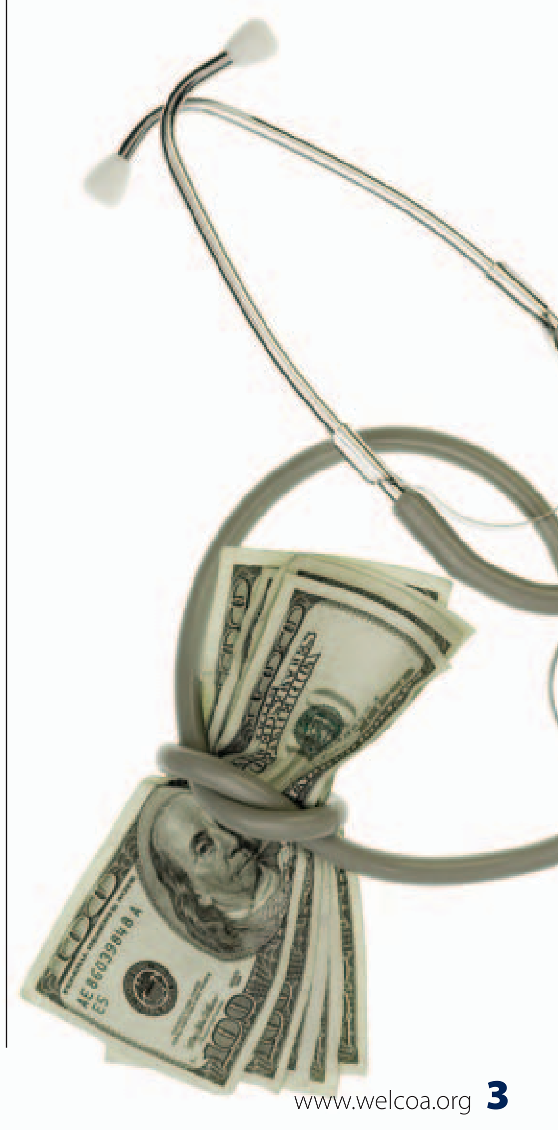

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by market forces that an employer can't influence—forces such medical inflation, technology, marketplace disincentives, administrative inefficiencies, and the like. On the other hand, about 15 percent of their costs are driven by the demand or volume factor, which is driven significantly by health status indicators. Thus, a discernible portion of that 15 percent of the cost pie can be tapped by worksite health promotion. In fact, we've seen good ROI studies that show how strategically positioned, high-level, comprehensive programs can contain healthcare cost increases at a single digit rate. On the contrary, companies that fail to promote their employees' health through some of these initiatives typically see double digit rate increases. So I think well-designed programs with complementary employee-valued incentives really give companies real opportunities for cost containment and a competitive edge.

**DH: When we read the literature, we see a lot of different terms, such as cost avoiding, cost effective and cost saving interventions. Can you explain the differences between these terms?**

**DC:** That's an excellent question, and one that some of us continue to debate within our own profession. Two of those concepts, cost avoiding and cost savings, are usually the two that are compared against one another. Cost avoidance considers an action that's designed to reduce future costs, such as replacing parts on an exercise treadmill before they fail or cause damage to other parts. Cost-avoidance can also be applied when you have actual trend data (e.g., risk factor costs) and you want to compare the projected costs with vs. without the intervention into the future.

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Now, cost savings, on the other hand, usually factors in data that can be tracked throughout a real time frame. So, you may have two or three years of pre-intervention data and you put a program into place, which allows you to measure whether the intervention helped improve cost trends. In essence, you can measure tangible costs at two pivotal points in time—before and during your program—and therefore, objectively determine if real savings were achieved.

Now, third, you bring up the issue of cost effectiveness. Cost effectiveness is usually used when you want to compare two or more interventions at the same time. For example, you might have a low back injury prevention program and you want to know whether it's more cost effective to give employees five minutes of company time to engage in a low back stretch and strengthening routine, or if it would be better to just offer a financial bonus to those who were injury free at six months. Cost-effectiveness is designed to generate a monetary outcome and determine which approach delivers the most with the least effort.

**DH: Why is it so hard for most practitioners and many companies to actually demonstrate a tangible return on investment?**

**DC:** I think there are several reasons for that. First, today's practitioners face several things that are very difficult to overcome. Some come into the industry with unrealistic expectations. I think they may underestimate the time and effort it actually takes to prepare an ROI evaluation. For example, obtaining the cost data can be very difficult because you have to know where to get it and who to contact and you also have to know how to ask the right questions.

Additionally, many practitioners often face the barrier of incomplete cost and benefits data. They must often reach out to several different departments and resources to get cost and demographic information. So, data acquisition can be a real challenge. Practitioners also must decide which programs they should subject an

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## Without exception, high-performing worksite programs master the four "Ps" of good marketing.

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**...Chenoweth & Associates, Inc. offers a health and productivity cost analysis report called Calcul8™.**

CalcuL8™ is an innovative tool that assists organizations in identifying their employees' modifiable, but most costly lifestyle-related risk factors.

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ROI to, as well as how long they should track the program. Tracking an intervention over an adequate period of time is crucial in order to buffer the potential impact from outside forces—essentially to establish a reasonable level of internal validity.

However, I will say that with today's technology and the 40 years of published ROI studies at our fingertips, it's more doable than ever. If people engage in the proper planning and resource allocation, an ROI is not as difficult as it sometimes may appear.

**DH: Is it possible for small companies to demonstrate a return on a workplace wellness program?**

**DC:** Yes, they can. However, the prerequisites—the four Ps I mentioned earlier—those elements have to be addressed and met. Additionally, I generally advise organizations, especially smaller worksites, to follow what I call the low-cost, high-impact guideline. This principle simply states that if a program has a relatively low cost and can make a big impact on a sizeable number of the population, or if it can make an impact on a few people who have a significant risk; if either one of those scenarios is met in a small company, a positive ROI is more likely to be generated.

**DH: What advice would you give to new practitioners about ROI and worksite wellness programs?**

**DC:** If you haven't taken a real course in evaluation or engaged in a conference or workshop, you should seriously consider doing so. There's no substitute for learning the basic principles and methodological protocols of evaluation. The second thing is to take time to communicate and collaborate with the individuals who have the data you need to do ROI evaluations. Don't take shortcuts and make a concerted and sincere effort to contact key people in personnel, human resources, benefits, risk management, safety, occupational health, and elsewhere who have the data.

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I think new practitioners can also benefit from starting slow and applying ROI efforts on a pilot or a trial basis. Eventually you'll learn how to utilize your resources and skills in larger venues and you can design some expanded ROI evaluations.

Finally, I would say that you should realize that ROI is only one of several performance indicators of a good worksite wellness program. Many times I think we oversell the virtues of ROI. I think in a nutshell, you should use ROI as a tool, but don't let ROI outcomes completely dictate your planning, budgeting, and overall strategizing.

**DH: What are the basic steps of demonstrating, calculating and determining the ROI of any given program?**

**DC:** I think first and foremost, you need to establish the criteria your programs should meet before you create an ROI plan. Secondly, you need to identify some associated tangible cost items. For example, what is the cost of personnel, equipment, resources, etc? Once you do that, then you can determine if you can quantify and verify those costs. And I think it's important to define the impact variables you can justifiably classify as benefits. Is it reduced costs? Is it improved health status as measured by a reduced risk factor level? Or, less dependency on hypertension or diabetes medication? What about increased productivity? Or, fewer disabilities or absences?

After you select tangible benefits and costs, you need to quantify them within a specific timeframe. From my experiences, I believe the minimum timeframe for

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conducting ROI evaluations is at least one year, preferably longer. This is probably your minimum because anything less than that, and you really can't prove that the program [independent of other outside factors] is driving the measured outcomes.

I think the next critical item is ensuring that your manager is fully engaged in your efforts. Your manager is critical because this is the person who determines whether or not the ROI results ever reach all of the stakeholders. Finally, it's vital to be prepared to know how best to effectively explain how costs and benefits were calculated, if asked to do so. Also, who is going to receive this report? Who are you directing it to? In essence, be sure you consider the needs and interests of your stakeholders.

WELCOA'S dyk DID YOU KNOW...

**...Chenoweth & Associates offers an ROI resource you don't want to miss.**

The book, *Evaluating Worksite Health Promotion* by Dr. David Chenoweth focuses primarily on evaluating worksite wellness programs. It includes a chapter on cost effectiveness analysis, and has a section on return on investment.

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**DH: Are there certain health risks and health behaviors that should be included as prime targets for any ROI analysis?**

**DC:** That's a pivotal question that should be considered prior to engaging into any ROI endeavor. I think the appropriate ROI variables are driven by several things. Number one, the risks and/or behaviors that you're going to evaluate in your ROI should be those of your particular workforce, not some external population. That's probably a no-brainer, but nonetheless it's important to reiterate.

Secondly, these indicators must be measured and verified. It's very difficult to demonstrate the integrity of an ROI when your primary indicators are based solely on external norms or perceptions. Also, your indicators should indeed be those that you believe can be influenced by your worksite wellness programs.

Finally, the health risk and behavioral indicators that you subject to an ROI should have data that can be converted into strategic information. For example, knowing the average number of weekly health coaching encounters is certainly good baseline information. Yet, this "data" is just the tip of the iceberg. In order to convert data into strategic information, it would be helpful to expand the baseline data into a more broadly-defined landscape. For example, how does the average number of health coaching sessions compare with the median (50th percentile) number of weekly sessions. How do age, gender, and occupation distributions compare across low, medium, and high frequencies of health coaching participation? What types of risk factors and/or health conditions are exhibited among low, medium, and high users? What are participants' preferences for continuing to engage in one-to-one, buddy system, and small group coaching platforms? And, what is the feasibility of engaging participants into short-term, mid-range, or long-term evaluations? Collectively, these types of information can be of great value when you plan, implement and evaluate programs.

## Notable cost drivers include obesity, depression, physical inactivity, high cholesterol, asthma and high stress.

 

**DH: What are the most expensive unhealthy behaviors that have been documented in the literature?**

**DC:** We have some good data out there that makes a distinction between medical care cost liability versus lost productivity cost-related liability. On the medical care side, my general interpretation of the literature indicates that diabetes is certainly a major cost driver. Other notable cost drivers include obesity, depression, physical inactivity, high cholesterol, asthma and high stress. My colleagues and I recently reviewed several studies for a project, and these behaviors and conditions were all in the top-half of the medical care cost distribution scale. Yet, there are some risk indicators that show up on the lost productivity side in our analyses that don't always show up on the medical care side. For example, alcohol abuse, cigarette smoking, arthritis and high blood pressure all show up in the upper echelon on the lost productivity side, but not necessarily on the medical care side. Also, we typically find that the lost productivity cost profile for an organization is not only driven by a workforce's age, occupation and pay scale—but is also driven by whether or not a worksite has strategically aligned at-risk employees with the appropriate programs. In other words, are the specific programs targeted to people who have particular needs and interests, and are they effectively designed and implemented to make a real impact?

I encourage organizations of all sizes to consider what I call targeted ROIs on selected programs or services at certain intervals.

**DH: Are there tools and resources available to workplace wellness practitioners that can help them with demonstrating ROI?**

**DC:** There are numerous resources and tools for practitioners to look at in terms of ROI evaluations. There are several books in the marketplace on evaluation, and many of those have a section on ROI, cost effectiveness and/or benefit cost analysis. One of my books, Evaluating Worksite Health Promotion, focuses primarily on evaluating worksite wellness programs. It also includes a chapter on cost effectiveness analysis, and has a section on return on investment.

Additionally, some of the best lessons on evaluation that I've learned over the years have been acquired at worksite wellness conferences that offer workshops or training sessions. And, of course, there are good case studies on evaluation published in WELCOA's Absolute Advantage—which I often share with clients. These cases are excellent primers in learning the ropes of ROI.

In terms of online resources, there are a lot of cost calculators on various topics, such as physical inactivity, obesity, diabetes, alcohol use, asthma,

AT-A-GLANCE SUMMARY

# Notable & Quotable

from David Chenoweth

## The Four "Ps" of Health Promotion…

Without exception, high-performing worksite programs master the four "Ps" of good marketing. PAGE 3

## Obstacles Practitioners Face…

I think they may underestimate the time and effort it actually takes to prepare an ROI evaluation. For example, obtaining the cost data can be very difficult because you have to know where to get it and who to contact and you also have to know how to ask the right questions. PAGE 5

## Small Company? You Can Still Have Big Returns…

I generally advise organizations, especially smaller worksites, to follow what I call the *low-cost, high-impact* guideline. This principle simply states that if a program has a relatively low cost and can make a big impact on a sizeable number of the population, or if it can make an impact on a few people who have a significant risk; if either one of those scenarios is met in a small company, a positive ROI is more likely to be generated. PAGE 6

## Tips From An Expert Evaluator…

Take time to communicate and collaborate with the individuals who have the data you need to do ROI evaluations. Don't take shortcuts and make a concerted and sincere effort to contact key people in personnel, human resources, benefits, risk management, safety, occupational health, and elsewhere who have the data. PAGE 6

## The Basic Steps To Demonstrate, Calculate & Determine ROI…

After you select tangible benefits and costs, you need to quantify them within a specific timeframe. From my experiences, I believe the minimum timeframe for conducting ROI evaluations is at least one year, preferably longer. PAGE 7

## DIY Information—No Expensive Consultants Necessary…

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depression, smoking and migraines. Also, if practitioners do a basic on-line search, they should find some good resources.

Several years ago, a colleague and I developed CalcuL8™, which is a health and productivity data-driven evaluation framework. It focuses on an organization's major cost-drivers and then identifies the type and portion of costs attributed to potentially modifiable risk factors. Most of the tool's framework was actually driven by clients' feedback. They requested a prescriptive break-even feature that shows how many people they need to engage in order to achieve the necessary impact-to-cost relationship that would contain their year-to-year costs.

**DH: Is it possible for the typical company to demonstrate ROI without the involvement of an outside consultant or expert?**

**DC:** Certainly. I think they can if they have three things going for them. They need to have in-house personnel who have a sincere interest and skill in ROI. They don't necessarily have to have a graduate degree or 15 or 20 years of evaluation experience. But they do need have to have some fundamental skill in ROI and evaluation. Second, they need time to gather and assemble the appropriate benefit and cost data. Third, they must have programs that are indeed generating more benefits than cost.

Now that being said, many worksites will still use an outside consultant from time to time for various reasons. First, to use the old adage—to avoid the fox in the henhouse syndrome. In other words, these worksites want to avoid any kind of bias or prejudice for their own program. Second, they may hire a consultant to formally develop a customized evaluation plan and possibly have an in-house workshop on how to apply it. Third, an organization may opt for outside assistance to determine the most feasible way to expand the scope and rigor of an existing evaluation platform. By doing so, the wellness staff can elevate the posture of their wellness program to senior management, affiliated companies in their organizational network, and/or to a national audience via a published article.

In these tight budgetary times, I personally encourage clients to consider scaled down options for doing ROI. For instance, they can use an abbreviated ROI framework that a consultant has developed for them. That way, they can bring more ROI efforts in-house. I encourage organizations of all sizes to consider what I call targeted ROIs on selected programs or services at certain intervals. They can perform these evaluations intermittently, say, every three to four years. This is especially effective if companies haven't experienced much change in their workforce and their program mix. If there's a lot of consistency among those variables, there's really no need to spend money for an annual ROI. Of course, I still encourage companies to do some kind of evaluation on a regular basis. N&V



ABOUT **Madeline Jahn**

**Madeline Jahn** is the Communications Associate for the Wellness Council of America. Her role is to coordinate the development of new publications and pool existing resources for WELCOA members, serving the mission of health promotion through marketing and planning support. She earned her Bachelor of Arts from Creighton University, and is currently pursuing a Master's Degree in Organizational Leadership from the College of Saint Mary. For questions about this publication, or to obtain permission for reprinting, please contact Maddy at *mjahn@welcoa.org*.

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**Title:** *Gaining Great CEO Support: How To Get And Keep Senior Level Support In A Down Economy*

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## APRIL

**Title:** *CHIP: An Examination Of A Best-In-Class Workplace Coronary Health Intervention Program*

**Date:** Thursday, April 7

**Time:** 9:30 – 11:00 AM Central

## JUNE

**Title:** *Unleashing The Power Of Medical Self-Care In Your Organization*

**Date:** Thursday, June 16

**Time:** 9:30 – 11:00 AM Central

## AUGUST

**Title:** *11 Ridiculously Simple Things You Can Do To Nudge Physical Activity Along In Your Organization*

**Date:** Thursday, August 18

**Time:** 9:30 – 11:00 AM Central

## SEPTEMBER

**Title:** *Little Things Make A Big Difference: How America's Healthiest Companies Create Excitement and Generate Participation*

**Date:** Thursday, September 29

**Time:** 9:30 – 11:00 AM Central

## NOVEMBER

**Title:** *Are Cell Phones Making Us Sick? An Examination Of The Latest Research And The Implications For Your Workforce*

**Date:** Thursday, November 17

**Time:** 9:30 – 11:00 AM Central

## DECEMBER

**Title:** *Terrific Teams: The Six Secrets Of Best In Class Workplace Wellness Teams*

**Date:** Thursday, December 15

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## MARCH

**Title:** *Well Workplace University—How To Demonstrate A Return-On-Investment*
**Date:** Wednesdays 3/9, 3/16, 3/23, 3/30
**Time:** 9:30 – 11:00 AM Central

## APRIL/MAY

**Title:** *Well Workplace University—Building A Results-Oriented Workplace Wellness Program Using WELCOA's Seven Benchmarks*
**Date:** Wednesdays 4/27, 5/4, 5/11, 5/18
**Time:** 9:30 – 11:00 AM Central

## JULY/AUGUST

**Title:** *Well Workplace University—The Art And Science Of Changing Unhealthy Behaviors*
**Date:** Wednesdays 7/13, 7/20, 7/27, 8/3
**Time:** 9:30 – 11:00 AM Central

## OCTOBER

**Title:** *Well Workplace University—How To Effectively Manage Your Workplace Wellness Initiative*
**Date:** Wednesdays 10/5, 10/12, 10/19, 10/26
**Time:** 9:30 – 11:00 AM Central

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