

# Investing in Prevention Improves Productivity and Reduces Employer Costs

## Maximizing Prevention Benefits for American Business

“We dedicate resources to prevention because, like any successful investment we’ve made, it yields steady returns. Those returns take two forms: a healthier, more productive, more committed workforce and significantly lower overall healthcare costs. For every dollar we invest in our workers’ health, we see a return of more than \$4 in reduced health care costs, lower absenteeism, and improved productivity. Our health care spending averages 4% below benchmarks for our industry. From 2001 through 2009, we avoided more than \$21 million in health care expenditures.”

**William C. Weldon, Chairman and CEO, Johnson & Johnson,**  
writing in the Jan-Feb 2011 *Harvard Business Review*<sup>1</sup>

In the face of rising healthcare costs, there is growing recognition that preventing disease and maintaining good health pay significant dividends to business. As individuals, we value good health; from an economic perspective, US leadership in the global economy depends on the health of the workforce. Even modest improvements in the health status of US workers could increase the nation’s GDP by \$905 billion by 2023 according to one study.<sup>2</sup> Corporate interest in workplace prevention and wellness programs has increased substantially. Johnson & Johnson’s positive experience described by its chairman and CEO is not unique.

Individual business investments are beneficial and critical, but to be effective they must be complemented by efforts to prevent disease and promote good health where people live, learn, and play. Enabling people to maintain good health depends on communities pulling together across sectors—business, education, government, faith-based organizations, and others—to improve the public’s health. Investing in prevention in the community is key to maximizing the value of individual business prevention investments. Community investments improve the services and enhance the environments needed, for example, to increase physical activity, improve options for healthy eating, reduce exposure to tobacco, coordinate clinical services, identify and stop disease outbreaks, and reduce injuries.

When we invest in prevention, the benefits are broadly shared.

- **Individuals benefit:** workers stay productive and healthy—both inside and outside the workplace.
- **Businesses benefit:** a healthier workforce reduces long-term healthcare costs, increases stability and productivity, and improves global competitiveness.
- **Communities benefit:** a community that offers a healthy, productive, stable workforce is a more attractive place for families to live and for businesses to locate.

The Centers for Disease Control and Prevention invests in community-based prevention efforts because they yield results. In 2010 the Communities Putting Prevention to Work (CPPW) program awarded funds to approximately 50 communities around the country—benefitting more than 50 million people, or one in six Americans— to promote nutrition, physical activity, and tobacco control. Those investments are already generating results—increased access to fresh fruits and vegetables, greater emphasis on physical activity in schools and child care centers, more smoke-free housing and worksites, and other changes that improve health. For instance, with CPPW support, Seattle-King County is working with corner stores located in “food deserts” to introduce healthy food options. Public health is a best buy; coupled with core CDC prevention work in chronic and infectious disease, immunization, injury prevention, occupational safety, environmental health, and other areas, community-based investments are preventing disease and improving health across the board.



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## What Does Prevention Mean for Business?

### *Prevention Means Lower Healthcare Costs for Employers*

- With employers covering healthcare costs for 160 million nonelderly American workers, preventing disease and improving health outcomes is a financial imperative for many businesses.<sup>3</sup>
- Healthcare costs for smokers, people who are obese, and those who have diabetes are \$2,000, \$1,400, and \$6,600 per year higher for each person with these conditions, respectively. Healthcare costs saved from preventing these diseases reduce health insurance premiums.<sup>4,5,6</sup>
- A 1% reduction in health risks such as weight, blood pressure, glucose, and cholesterol risk factors would save \$83 to \$103 annually in medical costs per person, much of which could accrue to employers in reduced premiums.<sup>7</sup>
- Increasing use of preventive services—including tobacco cessation screening, alcohol abuse screening, and aspirin use—to 90% of the recommended levels could save \$3.7 billion annually in medical costs, which would be reflected in lower health insurance premiums.<sup>8</sup>
- Medical costs are reduced by approximately \$3.27 for every dollar spent on workplace wellness programs, according a recent study.<sup>9</sup>

### *Prevention Means Greater Worker Productivity*

- Healthier workers provide continuity for businesses, with fewer disruptions due to absence, greater day-to-day productivity, and less need to replace institutional memory and train new employees.
- Indirect costs to employers of employee poor health—lower productivity, higher rates of disability, higher rates of injury, and more workers' compensation claims—can be two–three times the costs of direct medical expenses.<sup>10</sup>
- Workers with diabetes average two more work days absent per year than workers without diabetes.<sup>11</sup> Absenteeism costs are reduced by approximately \$2.73 for every dollar spent on workplace wellness programs.<sup>5</sup>
- Preventing disease increases productivity—asthma, high blood pressure, smoking, and obesity each reduce annual productivity by between \$200 and \$440 per person.<sup>12</sup>
- Research from the Milken Institute suggests that a modest reduction in avoidable risk factors could lead to a gain of more than \$1 trillion annually in labor supply and efficiency by 2023.<sup>13</sup>

### *Prevention Means Stronger Global Competitiveness*

- Untreated or preventable illnesses impose significant monetary and productivity costs on U.S. companies.
- Increases in productivity due to better health have a positive impact on GDP growth. Findings from the United States, Canada, and Indonesia have shown that as the price and availability of health services improve, labor force participation and hourly earnings increase.<sup>14</sup>

### *Prevention Means Healthier Individuals and Communities that can Benefit Local Business*

- Businesses want to locate in communities with a positive health profile because they can count on a healthier, more stable, and more productive workforce.
- Healthier communities attract new residents, tourism, and other businesses, broadening the potential market for local industry.



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<sup>1</sup> Weldon, W. (2011). Fix the Health Care Crisis One Employee at a Time. *Harvard Business Review*, January-February.

<sup>2</sup> DeVol, R. and Bedroussian, A. (2007). *An Unhealthy America: The Economic Burden of Chronic Disease*. Santa Monica, CA: Milken Institute.

<sup>3</sup> Kaiser Family Foundation. (2010). *The Uninsured: A Primer. Key facts about Americans without health insurance*. Washington, DC: Kaiser Family Foundation.

<sup>4</sup> American Diabetes Association. (2008). Economic costs of diabetes in the U.S. in 2007. *Diabetes Care*, 31, 596–615.

<sup>5</sup> Solberg, L.I., Maciosek, M.V., Edwards, N.M., Khanchandani, H.S., and Goodman, M.J. (2006). Repeated tobacco-use screening and intervention in clinical practice: health impact and cost effectiveness. *American Journal of Preventive Medicine*, 31(1), 62–71.

<sup>6</sup> Finkelstein, E.A., Trogdon, J.G., Cohen, J.W., and Dietz, W. (2009). Annual medical spending attributable to obesity: payer and service- specific estimates. *Health Affairs*, 28, w822–w831.

<sup>7</sup> Henke, R.M., Carls, G.S., Short, M.E., Pei, X., Wang, S., Moley, S., Sullivan, M., and Goetzel, R.Z. (2010) The Relationship between Health Risks and Health and Productivity Costs Among Employees at Pepsi Bottling Group. *Journal of Occupational & Environmental Medicine*, 52(5), 519–527.

<sup>8</sup> Maciosek, M.V., Coffield, A.B., Flottemesch, T.J., Edwards, N.M., and Solberg, L.I. (2010). Greater Use of Preventive Services in U.S. Health Care Could Save Lives At Little Or No Cost. *Health Affairs*, 29 (9), 1656–1660.

<sup>9</sup> Baicker, K., Cutler, D., and Song, Z. (2010). Workplace Wellness Programs Can Generate Savings. *Health Affairs*, 29 (2), 304–311.

<sup>10</sup> Partnership for Prevention and U.S. Chamber of Commerce. (2007). *Leading by Example*. Washington, DC: Partnership for Prevention.

<sup>11</sup> American Diabetes Association. (2008). Economic Costs of Diabetes in the U.S. in 2007. *Diabetes Care*, 31, 596–615.

<sup>12</sup> Mitchell, R. J. and Bates, P. (2010). Measuring Health-Related Productivity Loss. *Population Health Management*, 14(X), [Epub ahead of print].

<sup>13</sup> DeVol, R. and Bedroussian, A. (2007). *An Unhealthy America: The Economic Burden of Chronic Disease*. Santa Monica, CA: Milken Institute.

<sup>14</sup> Thomas, D. (2001). *Health, Nutrition, and Economic Prosperity: A Microeconomic Perspective*. WHO Commission on Macroeconomics and Health, Working Paper Series, WG1:7.

