

# The Link Between Employee Engagement + Health-Care Cost Savings

**G**iven today's weakened economy as well as health-care reform efforts that are expected to increase costs, it's no wonder many employees question their health-care benefits' value and company's commitment to maintaining coverage levels. Employers are also impacted because this loss of confidence among employees leads to decreased productivity, accountability and engagement, all of which affect the bottom line. In fact, a recent Gallup poll shows that 79 percent of employees are not engaged in their work or supporting the organization's mission.

## QUICK LOOK

- ⇒ Measuring is an important stage in the process because this information may or may not validate beliefs and assumptions in the workplace culture about employee accountability and engagement, health and wellness, or possible savings initiatives.
- ⇒ Strategic discussions with management team members will occur in a variety of ways, and success will hinge on buy-in from both the management team and employees.
- ⇒ The time has come for a major paradigm shift that enables employers to simultaneously realize greater employee trust and engagement, as well as better prevent spiraling health-care costs and actually achieve savings.

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Unfortunately, now is the time that organizations need the highest engagement levels to boost performance and build customer relationships in order to offset the weak economy. But what can organizations do in the face of such challenges? Simple: Proactively build employee engagement while achieving health-care cost savings. Such actions will enable businesses to obtain critical business outcomes, avoid unprofitable operating costs and unleash the potential for growth without further undermining employee loyalty and morale.

“Management must understand the key measurements and costs in the organization to learn how to build employee engagement,” said Mark A. Bloomberg, M.D., MBA, FACPE, chief medical officer of HealthNEXT. “Measuring employee engagement should include assessing all direct and indirect health-care costs and making sure that total costs are included to start the process of building employee engagement, accountability and health improvement.”

## Embracing the Engagement Approach

Building employee engagement for the short term and long term, as well as amassing cost savings, is a five-step process that begins with an organizational engagement assessment.

### 1 | Introduction and Initial Design

Employers and employees need to understand from existing data key workplace issues as well as costs that may be relevant. An integrated employee accountability and engagement report card that highlights an organization’s health-care costs should be developed with this information or, if it already exists, then the focus needs to be on whether the right information is captured and monitored effectively. An organizational

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engagement assessment would be part of this entire process, and is an important basis in determining engagement levels. If the organization has not conducted such an assessment, this would be a recommended part of the initial stage.

To start the process, HR staff and management would seek to determine the organization’s medical insurance costs, including projected increases from vendors. Areas of special interest include claims reports from medical insurance for three years to determine trends in the history of the covered population. For example, is obesity one of the key issues or are there several concerns, such as respiratory illnesses due to smokers, serious illnesses such as cancer, etc.? The HR staff will need to devote enough time toward developing this analysis. The insurer and benefits broker may be able to assist in the analysis, which should be completed in one to two months.

The introduction phase needs to be communicated to all staff, who would be invited to volunteer to participate on the team. The process of developing the team is part of the engagement effort and encourages transparency. Soliciting

employee involvement can serve to encourage natural leaders within an organization to be part of the team, with appropriate HR representation. It’s important to stress that confidentiality will be critical on the part of the team members due to Health Insurance Portability and Accountability Act (HIPPA) concerns. Developing the team will include determining the members and meetings, as well as defining a team purpose, charter and rules for participation. This process will usually take two to three months, and during this time, the initial information will be developed. This starts the communication and change-management process.

### 2 | Project Definition and Historical Analysis

With some processes, it may be necessary to measure data that previously has not been collected, such as including worker’s compensation information. Understanding the history of accidents and trends for three years and the cost of the workers’ compensation insurance may be an important comparison to the information gained from the medical insurance history. Measuring data is an important stage because this information may or

may not validate beliefs and assumptions in the workplace culture about employee accountability and engagement, health and wellness, or possible savings initiatives. Often in this phase it turns out that assumptions are not based on data, and the result will be a redefinition of the process. For example, management may believe that employees who fell on the job and became injured did so due to clumsiness, but a review of records may show that such accident trends reveal a particular area of a parking lot is unsafe. Another example is claims review. If this area has been outsourced in the past, is the processing correct and appropriate? Are COBRA (Consolidated Omnibus Budget Reconciliation Act) claims handled correctly? Are employee medical claims handled in terms of the organization customer-service standards?

Furthermore, projection of costs for three to five years will be necessary for this project and must be completed in this phase. This will help in assessing the situation and setting benchmark goals for savings. This phase may take two to three months to complete the development of the information and analysis. This would be going on in conjunction with the team's development. In this time period, the HR staff can educate team members on costs and historical information that will be necessary to understand the data, while making sure confidentiality is maintained.

### 3 | Design and Build

Employees need to understand the management team's perspective as part of this critical phase. Keeping the process as transparent as possible will help build a sense of trust and bolster morale.

Strategic discussions with management team members will occur in a variety of ways, and success will hinge on buy-in from both the management team and employees. Far too often,

initiatives involving change are not properly communicated or sold to the management team and, therefore, are doomed because of resistance to change.

Taking into consideration findings from the first two stages, the analysis is now able to determine possible areas of improvement. For example, if continued health-care cost increases are substantial and the medical insurance history shows many employees are smokers and illnesses such as chronic obstructive pulmonary disease are increasing, then defining this and researching programs to reduce smoking among staff are appropriate. The organization may even decide to go smoke-free. Another example is a concern about providers and brokers. Is it appropriate, for example, to choose to shop for new vendors and see what is available from other insurers?

The team that has been developed becomes active in this phase. Information is shared with them one-on-one with a concern for confidentiality. For example, sharing statistics on the number of smokers covered in the health plan and cost to the medical plan for three years will prove to be a powerful summary of the information that's discovered. Talking with team members about the corporate culture and health-care costs is necessary to validate findings as part of the analysis, resulting in communication throughout the organization. It's also important to take time for discussion with the team about ideas and alternatives. If there is a concern about claim administration, perhaps a new insurer should be considered. The HR staff can describe the process and share information such as a request for proposal to vendors. The discussion is open-ended to determine staff issues and, when done effectively, starts to build staff ownership of the process and solutions.

The basis for the specifics of the design-and-build phase will be the information gained from the project definition historical analysis and forecasted costs. This stage will take two to three months to include a clear understanding of the findings and developing plans for new initiatives or improvements. It is critical that clear measurements are defined and goals established that everyone agrees with.

### 4 | Action Planning

At this stage, results will come in the form of an accountability and engagement scorecard and written analysis, with recommendations for actions and improvements to build engagement and achieve health-care cost savings for five years. This information is reviewed with management to develop a plan that involves putting into action the necessary steps to meet goals and soliciting buy-in from all members of the organization.

Action planning should include communication of the process results to all participants and allow time for questions and discussion. This will take about one to two months, depending on the corporate culture and topic. The process should be completed with team members who ideally present the plan and findings to top management for approval and communicate details to the rest of the organization. This may be the end of the team activity short of being involved in monitoring the implementation and following up with communication. Whether it is the team or HR, it's also critical to regularly conduct follow-up communication on progress toward achieving that goal. For example, each month the organization should feature information on efforts toward the scorecard goal. If the action plan involves reducing the cost of medical

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claims, show the monthly costs; if the goal is to reduce smoking-related claims, cite expenses tied to respiratory disease. The frequency of such communication will vary by the complexity of the plan, information available, and so on.

## 5 | Review and Adjustment

As the action plan is implemented, reviewing the process on a timely basis provides a critical control feature. This review may be quarterly, every six months or annually. For example, with the scorecard, each month an organization measures health-care claims and, in the previously cited example, tracks respiratory claims in particular. At quarterly intervals, be sure to review overall information and see if other disease claims are increasing, or other factors are impacting the data. The progress toward meeting the goal may need to be evaluated, and the plan may even need to change. For example, if the plan was to outsource claims to a new vendor to provide better service for staff and be cost effective, and the service is worse, this may require a change in the plan. This could be a six-month finding.

The other important part of the effort is evaluating the controls and measurements to achieve planned results. For example, with annual benefits savings, it would be critical to know the savings goals on a monthly or quarterly basis to have a control mechanism that

evaluates savings. This is a plan that will be projected for three to five years to achieve savings in health-care costs and encourage employee engagement. Factors like changes in costs due to health-care reform and other environmental issues (new Occupational Safety and Health Administration regulations, for example) may impact the organization and the plan, and adjustments will have to be made.

## Conclusion

Companies that fail to manage increased health-care costs in the next three to five years — leading to decreases in medical benefits, increases in employee out-of-pocket costs or staff layoffs — will undermine employee morale and squander a lost opportunity to achieve a critical business objective. The time has come for a major paradigm shift that enables employers to simultaneously realize greater employee trust and engagement, as well as better prevent spiraling health-care costs and actually achieve savings.

“The dual focus of managing health-care costs and employee engagement dovetail to promote the health of the organization and the employees and help everyone focus on continuing to improve in the future,” said John O’Rourke, vice president of human resources for SCA Americas. “Employees, too, will benefit, as they will feel more secure and valued within their

companies. Such results will only improve the working environment and bottom line for everyone.” 

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