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# Integrating Risk Management and Wellness Programs

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*By joining together occupational health & safety initiatives with workplace wellness programs, you can improve employee morale and health, reduce medical plan costs, increase productivity, **and** reduce the frequency and severity of workers' compensation claims*

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An ideal workplace ensures that workers are both healthy and operating in safe and secure environments. However, many organizations treat occupational health & safety and wellness as mutually exclusive. Typically, human resources professionals handle health and wellness programs, focusing on common conditions and risk factors, such as heart disease, smoking, and obesity. The risk management team handles occupational health & safety, addressing how employees interact with their workplace environment. Human resources focuses on reducing healthcare costs, while risk management targets workers' compensation cost reduction. Both areas work to protect the well-being of employees.

Yet this model fails to acknowledge that employees with chronic health conditions, for example, diabetes and obesity, often have more frequent and costly workers' compensation claims. Workplace wellness programs that address chronic health conditions *and* support risk management safety initiatives have many potential benefits, including:

- boosting employee morale
- improving employee health
- reducing medical plan costs
- increasing productivity
- reducing the frequency and severity of workers' compensation claims

To accomplish these gains, an organization should consider creating a combined occupational health & safety *and* wellness program that includes an effective mix of engagement, incentives, and evaluation. This paper examines how occupational health & safety can be integrated with wellness programs, including five best practices to create a healthy workplace culture.

## Unhealthy Behaviors Escalate Costs

With longer lifespans, richer foods, and sedentary jobs, Americans are increasingly falling victim to chronic diseases, such as cardiovascular disease, stroke, cancer, diabetes, and arthritis. Chronic diseases are responsible for 70 percent of deaths in the United States and in 2005, almost 50 percent of US adults had at least one chronic illness.<sup>1</sup>

Contributing to these conditions are a number of risk factors, including smoking, poor nutrition, inactivity, and excessive alcohol consumption.<sup>2</sup>

In the workplace, unhealthy behaviors and chronic conditions can increase both healthcare and workers' compensation costs. This is not a new issue. The Bureau of Labor Statistics (BLS) reported a 6.25 percent average annual increase in employer healthcare costs from 2001 to 2011. This adds up to an 82 percent increase over 10 years.<sup>3</sup> The BLS also reported employers incurred a 26 percent cost per hour increase in workers' compensation expenses from 2001 to 2011.<sup>4</sup>

The impact of unhealthy behaviors on these costs is significant. For example, businesses pay an average of \$2,189 in workers' compensation costs for smokers, versus \$176 for non-smokers.<sup>5</sup> A 2007 study by Duke University found that workers who are morbidly obese filed 45 percent more claims than non-obese workers, had almost 13 times the number of lost work days, and had medical claims costs that are seven times higher, and indemnity costs that are 11 times higher than non-obese workers.<sup>6</sup>

## Far-Reaching Benefits of Wellness

Clearly, the risk factors discussed previously, along with excess stress and negative social interactions, can damage health and workplace productivity. Conversely, good habits and a health-positive work environment promoted through wellness programs can have equally positive consequences.

Wellness does not simply mean the absence of sickness or disease. It results from achieving balance in seven areas of life: physical, emotional, social, spiritual, intellectual, occupational, and environmental; hinges on employees' choices and decisions, and often requires lifestyle changes. Wellness is an active long-term process that places the responsibility on the individual to be aware of their choices and make decisions that will lead them toward a more balanced and fulfilling life. A combination of education, behavior modification, and environments that support good health practices can facilitate these changes.

## Integrating Occupational Health & Safety and Wellness

Typically, wellness programs have different goals and components compared with occupational health & safety programs (see Table 1). Approximately 92 percent of employers with 200 or more employees reported offering wellness programs in 2009.<sup>7</sup>

Very few workplace safety issues can be separated from an employee's overall health. For example, many factors—some preventable or manageable health conditions—contribute to falls, musculoskeletal injuries (e.g., strains and sprains), and the recovery time from accidents and injuries.

Employees in safe workplaces with occupational health & safety programs may be more likely to participate in wellness programs. Why? Employees in unsafe workplaces may think their employers have little regard for their well-being and are only offering wellness programs to achieve savings on health premiums.

Moreover, when human resources professionals and risk managers work together on wellness and safety, the collaboration can create a more effective program.

According to the National Institute for Occupational Safety and Health (NIOSH), "...comprehensive practices and policies that take into account the work environment—both physical and organizational—while also addressing the personal health risks of individuals, are more effective in preventing disease and promoting health & safety than each approach taken separately." This integrated approach has proven helpful in improving health behaviors, including smoking cessation, dietary improvements, and increased physical activity.

**Table 1: Occupational Health & Safety vs. Wellness Programs: A Comparison**

	Occupational Health & Safety	Wellness Programs
<b>Goal</b>	Risk management program that strives to foster a safer work environment. Focuses on preventing workplace-related injuries and illnesses.	Focuses on enhancing the overall well-being of workers, addressing specific lifestyle behaviors, inside and outside of the workplace.
<b>Typical Elements</b>	<ul style="list-style-type: none"> <li>• Incident investigation training</li> <li>• Safety planning</li> <li>• Rules and workplace procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Nutrition education</li> <li>• Smoking cessation program</li> <li>• Stress management program</li> <li>• Access to fitness centers</li> <li>• Exercise programs</li> <li>• Information on health topics</li> </ul>

## Five Best Practices for Integrating Occupational Health & Safety and Wellness Programs



When integrating occupational health & safety and wellness programs, the risk management and human resources team needs to carefully consider a number of factors, from management buy-in to employee attitudes. Moving forward with a well-informed plan for a blended program can help to ensure its success and keep costs down.

Consider these five best practices to integrated occupational health & safety with wellness programs:

**1 Break Down the Silos**—Treat occupational health & safety and wellness as having the same goal that will benefit the entire company, rather than two distinct areas with unrelated or competing concerns. Communication and collaboration among the risk management and human resources team on both day-to-day and long-term concerns are keys to successfully integrating these areas.

### Privacy Considerations for Risk Management

Risk managers may have to adapt to different regulations when developing wellness programs. As many human resources managers know, employee health information is tightly regulated.

Risk managers should be familiar with Americans with Disabilities Act (ADA) privacy provisions, the Health Insurance Portability and Accountability Act (HIPAA) privacy rule, and state regulations regarding health information privacy. To maintain confidentiality, risk managers and their staff may need to implement and undergo training in privacy protocols, through a third party or online resources.

Together, the risk management and human resources team must begin by identifying the healthcare and workers' compensation issues impacting their organization and determine the cost drivers. Conduct a formal needs assessment to obtain the appropriate data that includes:

- workers' compensation claims review
- medical and disability claims review
- a demographic analysis of employees
- survey of management and employee interest
- examination of unique workplace risks
- baseline health of the workforce
- the design of your corporate health plan and any anticipated changes
- workers' compensation loss information—to determine if pre-existing conditions are contributing to these costs
- recent employee satisfaction/perception survey

**Table 2: An Example of Alternative Wellness Solutions to Employee Health Issues**

Issue Impacting Workers' Comp and Healthcare	Obvious Solution	Obstacles for Success	Effective Alternative Example
Obesity	Offer gym memberships	<ul style="list-style-type: none"> <li>• Employees with small children may resist going to a gym—additional time in daycare for children</li> <li>• Employees unable to afford the upfront gym membership fees while waiting for company reimbursement</li> </ul>	Flex-time work schedule to allow employees to utilize nearby walking trails during the work day.

**2** **Customize Solutions for Your Organization and Include Incentives**—Following the needs assessment, customize the program design for your workforce and its health and risk management needs.

Include clear expectations and measurable outcomes in your program. Set no more than five measurable goals reflecting both risk management and human resources perspectives, and plan supporting activities. A specific member of the risk management and human resources team should be responsible for implementing each activity and tracking progress towards goals.

Include in your program design a system of rewards to create positive outcomes and lasting change. Find out what your employees value and align it with what you can offer, such as cash, time off, or discounts on healthcare premiums. Recognize every employee who participates and those who achieve some sort of goal, such as exercising for 20 minutes every day. However, avoid tying rewards to tangible biometric changes, such as losing five pounds, and do not rank workers—there should be no “best” or “most.”

The risk management and human resources team can target areas of greatest interest to their workforce and plan activities that consider differing employee needs. **See Table 2** for an example of developing broad-based solutions.

**3** **Actively Engage Workers and Management**—While implementing a new or modified safety and wellness program, managers must effectively engage employees—and that starts with the design process. Consult with employees throughout program design, implementation, and evaluation to ensure your employees find the program appealing. Ensure your management structure allows and encourages employee participation in developing programs, which may require you to engage upper management.

A wellness committee can help you better engage workers. Human resources managers will have an idea of which

**Impacting Behavior Change in Employees**

Individual behavior is difficult to change. When developing strategies to facilitate changing behavior, consider why an individual engages in a behavior, and try to understand the belief or emotion that fueled their decisions. Having this understanding and addressing it in a way that changes the individual’s belief is one key to eliminating resistance, realizing the needed change, and developing a successful wellness program.

For example, try to understand what employees who smoke would be sacrificing by quitting the behavior. Their smoking break may be an opportunity to socialize with their co-workers and receive emotional support. The key is to develop solutions that eliminate the unhealthy behavior and address the need that arises by quitting the behavior.

employees are already interested in fitness and a wellness lifestyle. Invite them to form a wellness committee that assists in the planning, design, and assessment of your program. Ensure that the committee reflects the diversity of your employees’ fitness levels. You don’t want everyone on your committee to be fitness gurus. The key is to select people who are truly interested in developing and building wellness programs that are sustainable. This group can combine with the safety committee to work on ideas, both creative and traditional, that will bring the blended approach to life within your organization.

# 4

## **Implement Your Program with Adequate Staff and Resources**

Dedicate adequate personnel, money, and time to support the program or it will not be implemented at the level necessary to positively impact your organization. Wellness programs are an investment in two inherently long-term goals: improved employee health and reduced healthcare and workers' compensation costs. To offset the initial financial costs, look into cost-savings opportunities, such as capitalizing on incentive programs set up by healthcare providers.

Because modifying existing occupational health & safety and wellness programs sounds like extra costs, risk managers and human resources managers must make the case that a blended program has a positive impact on employee morale, workers' compensation costs, and healthcare costs. Consider a return-on-investment approach. Analyze your absenteeism rates and your healthcare and workers' compensation costs and estimate the financial impact of a reduced number of claims and increased productivity.

It is important to create a workplace environment that helps to foster individual change and encourages positive health choices. For example, one company added healthy snacks to its vending machines and then subsidized 50 percent of the cost of the healthy snacks, making them a less costly alternative. When your company celebrates an achievement, consider ordering turkey sandwiches and salads rather than pepperoni pizzas.

# 5

## **Evaluate and Adapt**

Regularly evaluate a blended safety and wellness program to ensure that it is positively impacting employee health and workers' compensation claims. This means setting reasonable, measurable goals, and evaluating both the processes and outcomes of the program. Communicating results to all levels of the workforce helps to maintain employee and management buy-in.

Shifts in a company's workforce may require changes in the safety and wellness programs. An effective program must be adjustable, and associated personnel must be ready to respond strategically to unforeseen or challenging situations. Following evaluations, consider if the program needs to undergo any changes. Listen to employee concerns and feedback, as well as management responses to the program. Modify the program to meet needs as they change.

## **Conclusion**

Employees with chronic health conditions often have more workplace injuries and more costly workers' compensation claims. Though most risk managers understand that employee health can directly impact workers' compensation costs, there is not always a clear path to addressing the intersection of workplace safety and worker wellness.

An integrated risk management and wellness program cannot only reduce medical plan costs and increase productivity, it can also improve employee morale and health—and reduce the frequency and severity of workers' compensation claims. An organization must create a high-quality program that includes the right mix of engagement, incentives, and employee and management evaluation processes to achieve these results. There are no “one-size-fits-all programs.” Organizations should follow best practices outlined in this paper to find the right wellness and safety mix that achieves positive results for the organization and its employees.

## About the Author

Janet Byers, Risk Control Manager, PMA Companies, has 14 years of loss prevention experience.

Ms. Byers is a workplace wellness expert. She leads PMA's corporate-wide Wellness Group, which provides clients with guidance on developing and implementing programs to integrate safety and wellness into all organizational levels. Among her achievements are developing successful wellness programs that bridge risk management and human resources areas.

Ms. Byers is a graduate of Furman University, with a B.A. in Health and Exercise Science and an M.A. in Health and Exercise Science. She also holds an M.S. degree in Loss Prevention and Safety from Eastern Kentucky University and has earned the Occupational Health and Safety Technologist (OHST) and Associate in Risk Management (ARM) professional designations.

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## About PMA Companies

PMA Companies ([www.pmacompanies.com](http://www.pmacompanies.com)) provides risk management solutions and services in the U.S., specializing in workers' compensation and offering property and casualty insurance. A member of Old Republic Companies, PMA Companies is headquartered in Blue Bell, PA.

Old Republic International Corporation (NYSE: ORI) is one of the nation's 50 largest publicly held insurance organizations.

PMA Companies includes:

- **PMA Insurance Group**, specializing in workers' compensation, and providing other commercial property & casualty insurance products
- **PMA Management Corp. and PMA Management Corp. of New England**, providing results-driven TPA and Risk Services specializing in workers' compensation and liability

## Creating Integrated Wellness Programs—Tackling Employee Risk Factors Driving Up the Cost of Long-Term Healthcare Claims

PMA Companies conducted a claims review with a long-term healthcare client and found that workers' compensation claims costs were higher than expected.

As a result, PMA undertook a three-year loss analysis that examined all closed lost-time workers' compensation claims for BMI, tobacco use, and presence of hypertension, high cholesterol, and diabetes in injured workers. Findings demonstrated a relationship between the average cost of the claim and the number of risk factors present.

Later, PMA performed an additional analysis on claims in excess of \$100,000. The analysis revealed the following:

- 81 percent of the claims in the study required surgery to the back, neck, or shoulder.
- 76 percent involved pre-existing or secondary factors that contributed to the employee's inability to return to work, such as diabetes, obesity, smoking, or age.
  - Of the 76 percent, 33 percent involved three of those factors; 24 percent involved two factors; and 19 percent involved one.

PMA recommended solutions that focused on hiring strategies and employee wellness as the keys to reducing claims costs. We encouraged our client to focus on pre-hire efforts, such as improving screening and interviewing processes, and updating job descriptions to include the physical demands of essential job functions.

In addition, we proposed allocating additional resources to employees after hiring, such as implementing a wellness program.



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### Creating Integrated Wellness Programs—Addressing an Aging Workforce at Manufacturers

Our client faced multiple challenges – and claims – related to an aging workforce, including their primary loss driver: trips and falls triggered by workers stepping on and off elevated work areas that resulted in expensive workers’ compensation claims.

During loss control visits, PMA observed workers improperly utilizing hearing protection or not using it at all. Several employees had experienced hearing loss, which is associated with aging and an increased risk of falls.

PMA proposed an Integrated Safety and Wellness Hearing Protection Training Program, a hybrid program that addressed the related occupational safety and wellness problems facing the manufacturer’s workforce. This program expanded an existing Hearing Conservation Program and included:

- Annual audiograms and employee training on the importance of hearing protection and how to use it.
- Safety intervention with wellness coaching by PMA and the client’s Occupational Health Nurse, including educating employees on the consequences of not using or incorrectly using hearing protection, risk factors related to aging and fall hazards, and the impacts on their personal health.
- Updated measurements of noise level survey.