The Rand Corporation’s 2013 Workplace Wellness Programs Study has generated a fair amount of controversy regarding its findings on the return on investment (ROI) of the wellness programs that many organizations have put in place. According to Rand, wellness programs have a minimal impact on health care costs. Moreover, Rand estimates it takes an average of five years for a new wellness program to become cost-neutral, let alone generate a positive ROI.

It should be noted that Rand’s findings reflect the average results of a random sample of wellness programs—the good, the bad and the mediocre. What the study does not take into account is that every wellness program is unique. Although many fail because they are improperly designed or implemented, those that succeed generate substantial ROI, and often in less than five years.

What makes the difference between a healthy wellness program and one that is on life support? A substantial body of research has explored multiple aspects of what it takes to create a successful wellness program. This article provides an overview of the current findings.

Wellness Program ROI

Wellness programs are wide-ranging and diverse, and a properly designed program can have a substantial positive impact on an organization’s employee health and its finances. Several meta-studies show that organizations with effective approaches to wellness have programs with a substantial ROI that typically grows over time. A Harvard University study of 100 peer-reviewed journal articles, Workplace Wellness Programs Can Generate Savings, found that a properly designed wellness program can expect to yield an ROI of 3.27:1 on health care cost reductions and another 2.73:1 on absence and related costs after about three years. (To calculate ROI, the amount saved as a result of a program (e.g., lower health care spending) is divided by the dollars spent on the program. The result is expressed as a ratio, with an ROI of 2.50:1 indicating a return of $2.50 for every $1 invested.)

According to Larry S. Chapman, M.P.H., an expert on wellness programs who conducted the Meta-Evaluation of Worksite Health Promotion Economic Return Studies: 2012 Update, a meta-study of 56 peer-reviewed journal articles, the more recent studies documented ROI in the range of 6:1 compared to 3:1 in the older studies. He also discovered it generally takes three to five years for wellness programs to realize their full impact.

Merely having a wellness program does not mean it will be effective. According to Sibson’s Healthy Enterprise Study (Winter 2011), 40 percent of all wellness programs are not considered effective, but many of the 60 percent that succeed generate excellent financial results. For example, organizations in the top quartile of Sibson’s Healthy Enterprise Study Wellness Index experienced 16 percent lower health care costs (adjusted for demographics and industry) and a 35 percent lower rate of increase in costs than all other organizations. This demonstrates that it is the effectiveness, rather than just the presence, of a wellness program that makes the difference.

Further, Sibson’s Healthy Enterprise Study found that organizations in the top quartile of its Healthy Enterprise Index achieved much better outcomes in health costs and other measures than all other organizations (see the figure below). The almost 300 employers that participated in the study experienced huge variances in workforce outcomes (e.g., a $7,700 difference in health care costs between the 10th and 90th percentiles) that were largely not explained by industry, demographics or geography.
### Wellness Program Success Factors

While results from wellness programs vary, there are common success factors that, if adopted, lead to improved results, including ROI. Various studies and articles have identified the factors that need to be in place for an organization’s wellness program to succeed.

A study by the Center for Studying Health System Change (HSC), *Employer Wellness Initiatives Grow Rapidly, but Effectiveness Varies Widely*, which included literature reviews and interviews with industry experts and employers sponsoring wellness programs, concluded that wellness programs need to be customized to the individual organization. One-size-fits-all programs purchased from vendors are not effective. According to HSC, wellness programs also must be integrated, comprehensive, diversified, strongly linked to the organization’s business strategy and championed by senior leadership and managers. Moreover, the organization needs to have a good overall strategy, offer products that impart a sense of purpose and maintain an effective work environment.

The Change Agent Workgroup, a gathering of industry thought leaders and influencers working in collaboration to accelerate improvement in American workforce health and productivity, drafted *A Roadmap for Improving the Health of Your Employees and Your Organization*, which outlines the following steps/key elements for an effective wellness program:

- Develop and embrace an organizational vision for health.
- Secure senior management commitment and participation.
- Address workplace policies and the work environment.
- Employ diagnostics, informatics and metrics.
- Set health goals and tailor program elements to meet them.
- Create a value-based plan design (using incentives to encourage participants to make high-value decisions).
- Integrate patient-centered medical home and chronic care management.

Similarly, “Making the Case: New Study Shows It Does, Indeed, Pay to Become a Healthy Enterprise,” an article about Sibson’s *Healthy Enterprise Study*, maintains the most effective wellness programs include the following elements:

- **Strategic drivers.** These include an effective leader and wellness committee, a strategic health plan and a shared vision with key internal and external stakeholders.

- **Behavior-change support.** High-quality, effective and easy-to-use support resources should be in place to help employees and their families change their behavior for the better. These services can include programs that focus on fitness, nutrition, smoking-cessation and health coaching.

- **Environmental support.** It is important to have appropriate environmental support through a smoke-free workplace and healthy worksite eating policies that reinforce individual efforts to change behavior. Also important is the employee’s total environment, including the community in which he or she works.

- **Focus on optimal behavior.** All of the organization’s efforts need to be coordinated to improve employee behavior to support their physical, intellectual, emotional, social and financial well-being so the employees and the business can thrive. When Sibson’s *Healthy Enterprise Study* tested its maturity model, it found that efforts in the third stage of maturity (that focus on optimal behavior) experienced the most improved outcomes and efforts in the first stage of maturity (that focus on treatment) had the least improved

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**Table:**

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*Source: Sibson Consulting.*
These success factors highlight the need for proper wellness program design.

Wellness Programs and Behavioral Economics

Despite their best intentions, people do not always make rational decisions regarding their health and their health care benefits. A recent article in Benefits Quarterly, "Reducing Suboptimal Employee Decisions Can Build the Business Case for Employee Benefits," illustrates how behavioral economics (the study of how real people actually make financial choices) and choice architecture (the way in which decisions are influenced by how the choices are presented) can be extremely useful in designing and communicating wellness programs and other benefits offerings that encourage employees to make better decisions that will improve outcomes for both themselves and the organization. For example, when Sibson was asked to help an organization boost participation in its health-risk assessment, a number of behavioral economics strategies were used to increase employee participation from 17 percent to 91 percent and spouse participation from zero to 85 percent.

Looking Beyond ROI

Determining the ROI of a wellness program can be difficult and the results may depend on how the analysis is conducted. Looking beyond the immediate health care costs and utilization will help the organization understand the broader value of its investment.

It is important to remember that every successful wellness program requires a good foundation, which consists of an effective workplace and a strong and supportive culture. Moreover, the organization needs to be clear about the kind of culture it envisions, its priorities for realizing that vision and the metrics it will use to measure whether the vision is being achieved over time.

There are many measures to consider that influence the effectiveness of the organization’s wellness program. Among the metrics the organization may want to track are the climate of trust and respect and the levels of employee autonomy, satisfaction and productivity. Key measures should be captured on a dashboard along with a baseline metric and three goals: threshold, target and stretch. The organization should consider providing business unit leaders with scorecards to understand how their unit performs relative to peer groups on the measures they can influence.

Conclusion

There is substantial research indicating that although wellness programs can have significant ROIs, they need to be implemented carefully as part of a broader effort to create a healthy and effective workplace. When considering the research and literature mentioned above, organizations need to ensure that their wellness programs:

- Support a vision with a strategy and approach to wellness that aligns with the business strategy and incorporates many of the key elements of a successful program.
- Align workplace behaviors with the values of the organization.
- Establish an effective workplace in which the workforce and the business can thrive.
- Engage employees to take action to enhance their health and connect them with the appropriate support resources available.
- Use choice architecture that leverages research from behavioral economics to encourage people to make better decisions.

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Related SHRM Articles:

- ROI of Wellness: How Good Is the Data?, SHRM Online Benefits, February 2013
- Five Paths for Achieving Wellness Program ROI, SHRM Online Benefits, October 2011
- 'Tectonic Plates' and the ROI of Health Benefit Programs, SHRM Online Benefits. October 2009