How to Speak to Your CFO: Lessons from 313 CFOs

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About IBI

• National, not-for-profit corporation
• 700+ corporate sponsors
• Employers: 90% of IBI’s members
• IBI’s mission. Demonstrate the business value of a healthy workforce through:
  – *Independent HPM research*
  – *Measurement and modeling tools*
  – *Forum for sharing ideas and experience*
Setting the Stage
New Employer Realities

- Show the C-suite the value of improved workforce health
- Healthcare reform: the value of a healthy workforce or the cost of healthcare?
- Dead end: attempting to control claims costs in separate program silos
- Looking for best strategies to improve workforce health, reduce lost time and enhance productivity
- Limited data, time and dollars
Health Costs—The Traditional View

Total = $509 MM

- Medical (EE)
- Medical (family)
Health Costs—Adding Pharmacy

Total = $623 MM
Health Costs—Adding Lost-Time Pay

Total = $824 MM

- Medical (EE)
- Medical (family)
- Time-loss pay
Health Costs—Adding Absence Impact

Total = $923 MM

- Medical (EE)
- Medical (family)
- Time-loss pay
- Lost productivity
Health Costs—Adding Performance Impact

Medical (EE) Medical (family) Time-loss pay Lost productivity

Total = $1.29 B
Full Cost Components

- Medical: 28%
- Wage replacements: 48%
- Absence LP: 8%
- Performance LP: 16%

Legend:
- Medical
- Absence LP
- Wage replacements
- Performance LP
Quantifying *Financial* Lost Productivity*

- Lost productivity—“*the financial impact on a company when employees are not at work and fully functioning*”
- Two components: absence and decrements in job performance (“presenteeism”)
- The Financial Impact of Absence
  - Wage replacement payments
  - “Opportunity costs” of ER’s response
- The Financial Impact of Presenteeism
  - Wage and benefit “overpayments”
  - Opportunity costs of resulting lost time

The CFO’s View of Health
Key Research Questions

• How do CFOs view workforce health as a priority in their business?
• What’s the relationship between health of EEs and health of the company?
• What types and sources of information are considered credible?
• How do CFOs see VBBD?
• What kind of information is needed?
Who Participated

• For-profit organizations: 84%
• Half had > $250 MM annual revenue
• Workforce characteristics
  – Half over 2,500 employees
  – Half in manufacturing, financial services, healthcare or wholesale/retail trade sectors
  – 60% of the companies had improved financial performance in past year
Key Findings

- CFOs are key participants in benefits decision making
- Health is an organizational priority
- Productivity is critical to bottom line but the role of health is less clear
- CFOs understand health impacts financial performance
- Internal information is most credible but critical information is lacking
- CFOs suggest ways to measure productivity
Who Gets It
Health as a corporate priority

- Promoting healthy behaviors is a company priority: 69% Strongly Agree, 24% Agree, 8% Neither Agree Nor Disagree, 19% Disagree or strongly disagree
- A culture of health is a key company goal: 68% Strongly Agree, 24% Agree, 8% Neither Agree Nor Disagree, 19% Disagree or strongly disagree
- Comprehensive health coverage is important to company financial strategy: 75% Strongly Agree, 56% Agree, 20% Neither Agree Nor Disagree, 19% Disagree or strongly disagree
Leaders and Non-Leaders

H+P Leaders 29%
The uninitiated 53%
The ambivalent 18%
Workforce productivity as "one of the most important factors" for ...

- Ability to respond to customer/market needs: 62%
- Financial performance: 45%
- Reputation w/ lenders/investors: 8%
“Very important” to workforce productivity

Maintaining skilled workforce: 75%
Controlling staff size: 61%
Increasing EE satisfaction: 51%
Controlling turnover: 48%
Providing EE training: 42%
Making capital investments: 37%
Improving EE health: 30%
Other: 22%

Health
% CFOs that say EE health is "very important" to workforce productivity

H+P Leaders: 48%
Other CFOs: 23%
"Best way" to quantify health-related lost productivity

- Cost of absence days: 46%
- Output/labor input: 20%
- Overtime: 11%
- Temp/replacement workers: 10%
- Lost revenue: 9%
- Healthcare impact: 9%
Pathways Linking Health to Poor Financial Performance

- Increased health care costs: 61%
- Increased sick days: 40%
- Excess labor costs: 30%
- Higher turnover: 27%
- "Opportunity costs": 26%
- Absence payments: 16%
H+P Leaders vs. Other CFOs

- Health care costs: 66% (H+P Leaders), 59% (Other CFOs)
- Increased sick days*: 36% (H+P Leaders), 52% (Other CFOs)
- Opportunity costs*: 21% (H+P Leaders), 40% (Other CFOs)
- Higher turnover*: 23% (H+P Leaders), 39% (Other CFOs)
- Excess labor costs: 36% (H+P Leaders), 28% (Other CFOs)
- Absence payments*: 14% (H+P Leaders), 24% (Other CFOs)

* Statistically significant difference
The Importance of Information
Improving workforce health: information credibility

- Company's claims costs: 70% Very Credible, 28% Somewhat Credible, 2% Not Credible
- EE surveys: 31% Very Credible, 62% Somewhat Credible, 8% Not Credible
- Company's information: 22% Very Credible, 70% Somewhat Credible, 8% Not Credible
- Outside information: 21% Very Credible, 75% Somewhat Credible, 3% Not Credible
- Modeled estimates: 15% Very Credible, 74% Somewhat Credible, 12% Not Credible
- Supplier recos: 14% Very Credible, 76% Somewhat Credible, 10% Not Credible
CFOs describing information source as "very credible"

<table>
<thead>
<tr>
<th>Supplier Recommendations</th>
<th>Results in terms of financial goals</th>
<th>19%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Results in other terms</td>
<td>10%</td>
</tr>
<tr>
<td>Internal sources of information</td>
<td>H+P leaders</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>Other CFOs</td>
<td>17%</td>
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</tbody>
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Speaking the language: poor health, financial performance and financial goals

- **Health care costs***: 69% (56% in financial goals)
- **Sick days***: 50% (34% in financial goals)
- **Excess labor costs**: 37% (26% in financial goals)
- **Higher turnover***: 35% (22% in financial goals)
- **“Opportunity costs”***: 33% (23% in financial goals)
- **Absence payments***: 21% (13% in financial goals)

*Statistically significant difference*
Availability of Helpful Information

- Benefit costs: 79% Available, 21% Unavailable
- Sick leave: 75% Available, 25% Unavailable
- EE satisfaction: 54% Available, 46% Unavailable
- EE productivity: 51% Available, 49% Unavailable
- Health risks: 37% Available, 63% Unavailable
- Benchmarks: 36% Available, 64% Unavailable
- Health/performance: 24% Available, 76% Unavailable
- ROI: 15% Available, 85% Unavailable

Legend:
- Orange: Available
- Green: Unavailable
Information availability: H+P Leaders vs. other CFOs

- Benefit costs: H+P Leaders 83%, Other CFOs 77%
- Sick days: H+P Leaders 76%, Other CFOs 74%
- EE satisfaction*: H+P Leaders 73%, Other CFOs 47%
- EE productivity: H+P Leaders 54%, Other CFOs 51%
- Health risks*: H+P Leaders 50%, Other CFOs 32%
- Benchmarks: H+P Leaders 32%, Other CFOs 37%
- Health/performance*: H+P Leaders 34%, Other CFOs 20%
- ROI*: H+P Leaders 20%, Other CFOs 13%

* Statistically significant difference
Lessons
Lessons for CFOs

• Credible information and methods for measuring impact are available in market

• Partner with colleagues in your organization who measure/manage lost time

• Make your financial goals well known within your organization and with key supplier partners
And if you’re working with CFOS...

- Access the solid business case info that is available
- Advocate a culture of health
- Start with maximizing available internal information
- Learn CFO’s strategic financial goals and focus there
- What’s the current culture of health?
- Are you working with an H+P Leader?
Employers and Data
Key Dimensions of Population Health*

- Financial
- Program participation
- Biometric screening
- Health risks
- Utilization
- Preventive care
- Chronic conditions
- Lost worktime
- Lost productivity
- Employee engagement

The Temporal Dimension

- **Leading indicators**
  - Health risks
  - Biometric screening
  - Chronic condition prevalence

- **Treatment indicators**
  - Preventive care
  - EE engagement
  - Health services utilization
  - Program participation

- **Lagging indicators**
  - Financial
  - Lost worktime
  - Lost productivity
### Dimensions & Dashboard Metrics

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Summary Metric</th>
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</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Program cost/EE</td>
</tr>
<tr>
<td>Program participation</td>
<td>EEs participating/All EEs</td>
</tr>
<tr>
<td>Biometric screening</td>
<td>EEs reaching target/All EEs</td>
</tr>
<tr>
<td>Health risks</td>
<td># of health risks/EE</td>
</tr>
<tr>
<td>Utilization</td>
<td># EEs getting care/All EEs</td>
</tr>
<tr>
<td>Preventive care</td>
<td># EEs getting screened/All EEs</td>
</tr>
<tr>
<td>Chronic conditions</td>
<td># EEs w/ chronic conditions/All EEs</td>
</tr>
<tr>
<td>Lost worktime</td>
<td># of lost workdays/EE</td>
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<tr>
<td>Lost productivity</td>
<td>Lost productivity $/EE</td>
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<tr>
<td>Employee engagement</td>
<td>Engagement score/EE</td>
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Thinking about Metrics in Hierarchies

- Dashboard metrics
- Component metrics
- Contributing metrics
Questions?