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WEB EXCLUSIVE

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HARVARD BUSINESS REVIEW WEB EXCLUSIVE

Fix the Health Care Crisis, One Employee at a Time

The key to jump-starting health care reform is to invest in employee wellness programs that focus on prevention and yield steady returns.

by William C. Weldon

In the past year, policy makers, the American public, and many of us in the health care industry have thought about, analyzed, and forcefully debated health care reform, practically nonstop. We've met at large congresses and intimate roundtables to find ways to reach common ground, extend coverage, improve care, and reduce costs.

But amid the countless hours of debate, hundreds of pages of legislation, and thousands of media stories, we have largely ignored one of the most important fixes to our health care system, not only in the United States but also in other developed countries. It's a fix whose long-term impact could rival that of the most widely discussed proposals.

I'm talking about prevention, specifically in the workplace.

Now, it may sound simplistic or banal to say that preventing disease is better than treating or curing it. And it may be surprising to hear the head of the world's largest health care products company advocate such an idea. But Johnson & Johnson has been making substantial, systematic, and effective investments in prevention for more than 30 years. We dedicate resources to prevention because, like any successful investment we've made, it yields steady returns. (See "What's the Hard Return on Employee Wellness Programs?" in the December 2010 issue of HBR.) Those returns take two forms: a healthier, more productive, more committed workforce and significantly lower overall health care 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.

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William C. Weldon is the chairman and CEO of Johnson & Johnson.

Since 1978, when we initiated our prevention program, we have learned several, sometimes paradoxical lessons, which we believe will help any company that seeks to reap the kinds of benefits we have garnered:

- The key to making prevention efforts both effective and cost-efficient is to identify and target the major health risks for your particular population.
- The focus on health risks needs to be narrow, but the programs to address those risks should be broad-based. Prevention efforts must span a full continuum of services, from screening to risk reduction to chronic-disease management. No part is optional.
- Programs should be tailored not only to each individual's medical needs but also to a person's unique motivations, confidence level, and barriers to success.
- Programs must be scalable and their results objectively measurable. They should track outcomes, not merely effort.
- Targeted incentives are critical to getting people to participate, and financial incentives are the most effective.
- Building a sustainable corporate culture of health needs to begin at the top, with the leadership team.

Given the sheer number of hours people spend at work, employers are in a unique position to advance prevention efforts. We have the influence and the wherewithal to touch many lives. And we have unsustainable health-care and lost-productivity costs to spur us on. Think of the endeavor as do-it-yourself health care reform.

An Old, Old Problem

Prevention is hardly a new idea. Indeed, Johnson & Johnson was founded on it. Inspired by a speech given by antiseptic-surgery pioneer Joseph Lister, Robert Wood Johnson joined his two brothers in 1886 to create and market a line of ready-to-use sterile surgical dressings that would prevent infections. What's more, a focus on employees is embedded in our values: Our credo—laid down in the 1940s by J&J's third CEO, Robert Wood Johnson II, just before the company went public—calls on us to consider the needs of employees second only to those of our customers.

So it was viewed as a natural extension of our business and our principles when, as the nation's health care costs more than doubled from $80 billion in 1972 to $162 billion in 1978, then-CEO James Burke responded with an effort to drive down demand for health care services by improving our employees' health. He set two goals:

- Give employees information about their individual health risk factors and easy access to behavior modification programs that can reduce those risks.
- Bring down the company's cost of health care by implementing those programs and services efficiently.

The initiative, called Live for Life, targeted smoking, overeating, alcohol abuse, emotional stress, hypertension, and unsafe driving, which were responsible for the largest share of the company's health care costs at the time. The idea was that if the company provided workers with information about their individual health risks and made it highly convenient for them to address those risks through behavior modification programs, they would take steps to improve their own and their families' health. That would, in turn, increase their well-being and lower the company's health care costs.

The program was voluntary. The company respected the fact that health is an intensely personal matter. Every year, employees were asked (but not compelled) to complete a health assessment, which took the form of a questionnaire (recording statistics such as height, weight, eating habits, and seat belt use) combined with a set of basic blood tests. To make it as convenient as possible for employees to address their risks, J&J set up on-site clinics that could perform the medical evaluations; offer advice on nutrition, weight management, and smoking cessation; and provide vaccinations. Psychological counseling was offered through one of the first-ever employee assistance programs (EAPs). Some sites also set up gym facilities.

The program was voluntary not only for employees but also for management. Johnson & Johnson then, as now, was a decentralized corporation of autonomous operating companies. It was left to the leaders of each company to decide whether, and to what degree, to implement Live for Life. As a result, even though by the early 1980s the program had expanded from the original pilot at headquarters to 22 locations serving more than 16,000 employees, implementation varied by region. Local management support, dollars allocated, and the availability and expertise of the on-site health care professionals differed from company to company and from site to site within the companies.

Program costs varied as well. Ironically,

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though, the uneven implementation made it easier for us to determine whether the approach was working. An independent study of the initiative's effectiveness from 1979 through 1983 showed that hospitalization costs at J&J units implementing the Live for Life program were only a third of those in units that did not; absenteeism rates were 18% lower; and improvements in weight and blood pressure control, cholesterol levels, and smoking cessation rates contributed to an estimated 3% to 5% reduction in overall health care costs.

A Better Solution

So our programs were working, and over time we expanded them to more sites. But it was becoming clear that identifying health risks and making health care convenient were not enough. More incentives were needed to increase participation, and more organizational integration was required to increase efficiency.

Consequently, in the mid-1990s, we made the strategic decision to fully integrate all of the company's employee wellness activities into a single organization and into an overarching program called Health & Wellness. It encompassed not only wellness and medical care management but also the company's occupational health, EAP, disability management, and employee benefits operations. The aim was to deliver a comprehensive set of benefits more consistently across the entire enterprise. It focused on areas in which our data then indicated we could make the greatest difference: decreasing smoking rates, lowering cholesterol and blood pressure levels, and increasing physical activity.

Integration reduced program-implementation costs dramatically as we negotiated better terms with vendors, our various health and wellness professionals worked in teams to provide a consistent range of services to employees, and resources were shared among our operating companies. However, boosting participation rates was a greater challenge than one might have expected in a company that is, after all, dedicated to health care. Although half of our employees had voluntarily taken part in the initial pilot at headquarters, by 1995 participation rates throughout the organization averaged closer to 25%.

Therefore, as part of the newly revamped Health & Wellness initiative, we decided to try something that at the time was unprecedented—a direct financial incentive. Looking for an amount that would attract attention, we settled on an annual $500 credit toward the cost of health care premiums to every employee who completed the health risk assessment and, if identified as being at risk, who participated in an intervention program.

We took what we thought of as a "carrot before the stick" approach. In hindsight, we can see that it was an early (if unwitting) application of behavioral economics theory. What we did—and still do—was to automatically deduct the $500 from everyone's premiums each year, but those who failed to participate lost the incentive. In addition to its power as a motivator, the money sends a signal about the seriousness of the company's commitment to the health of its employees.

The effect of the incentive was dramatic. In just a few years, the percentage of people completing the health risk assessment rose from less than 26% to more than 93%—and has remained above 80% ever since. Direct financial incentives have proven to be so effective that we have steadily introduced more-targeted ones. (See the sidebar "The Key to Participation.") High participation is pivotal because it creates a virtuous circle: More participants allow our medical teams to collect better data, which we use to provide better-targeted services whose increasing effectiveness encourages greater participation.

Steady progress in reducing risk factors has

The Key to Participation

No organization can compel its employees to take better care of their health, but our experience has shown that companies can strongly influence participation through carefully targeted incentives. Johnson & Johnson starts with a universal incentive for workers to identify their health risks: Since 1995, we've offered $500 (in the form of a decrease in the annual health care premium) for every employee who completes an annual health risk assessment. Other targeted incentives address specific health risks identified by the assessment:

- $250 for participating in any indicated chronic disease management program
- $500 for participating in the maternity program: $250 for enrollment plus $250 for postpartum screening
- $250 for anyone who undergoes a preventive colonoscopy
- $150 for losing 10% of your weight in a year, for those invited to participate in our HealthyWeight program

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shifted the program's emphasis to a large degree from disease prevention to health promotion. That may sound like a merely semantic distinction, but in practice it means gradually shifting our focus from treating bad habits to maintaining good ones. In addition, we are now expanding our reach to the 60,000 people in our 200-plus international operating companies in 57 countries. This is a challenge because a global program must take into account a great diversity of needs and cultural factors. We haven't yet accrued the years of comprehensive data that we have for our U.S.-based employees. In many ways, our efforts to expand globally will mirror our original evolution—starting out highly decentralized, applying the discipline of patience and the long-term view, and steadily learning from our experience.

A Way Forward

We may have been at this for 32 years, but it won't take us decades to expand these programs abroad, and it needn't take your company that long either. From our extensive experience, we have drawn five broad lessons we will apply to our expansion endeavors. I believe they could aid any company looking to set up its own prevention efforts.

1. Risk-targeting makes prevention efforts both effective and cost-efficient. Last summer, the Congressional Budget Office sent a letter to Congress advising legislators that expanding the use of preventive services would actually increase medical spending in the United States: The cost of screening everyone for everything would be too high compared with the benefits of uncovering a relatively small number of cases of disease. Clearly, if the country cannot afford universal prevention, neither can individual companies. That's why targeting prevention efforts to the health conditions that are the most devastating, cost the most to treat, and result in the greatest loss of productivity for your particular group of employees matters so much.

Our own efforts take three forms. The first are general, low-cost prevention initiatives, such as flu shots and health education, aimed at keeping healthy people healthy. From a cost–benefit perspective, these are obvious wins. The second are our programs aimed at the most prevalent risk factors in our employee population. Right now in the U.S., those remain high cholesterol, high blood pressure, smoking, and inactivity. The third are maintenance programs for people with chronic diseases such as diabetes.

What Goes into J&J's Comprehensive Wellness Program

Four components form the backbone of Johnson & Johnson's efforts to greatly improve employee wellness and reduce health care costs.

Mental Health and Well-Being

- Online mental health screening
- Employee assistance program (EAP) offering telephone or face-to-face counseling
- Resilience and stress-management training
- Relaxation programs, including yoga and meditation classes
- HealthMedia digital health-coaching programs

Occupational Health and Benefits Design

- On-site occupational health clinics and services
- Disability management and return-to-work planning
- CareConnect program for chronic and complex medical conditions
- Health Advocate expert assistance with health care services and insurance

Healthy Lifestyle

- Smoking cessation programs, including tobacco-free campuses worldwide, with online or telephone coaching and free nicotine replacement therapy (if indicated)
- CEO Cancer Gold Standard accreditation
- Weight management programs, such as WeightWatchers at Work, plus online or in-person nutrition counseling
- Activity support, including pedometer programs and "million steps" challenges
- On-site fitness facilities and discounts to other fitness centers
- Eat Complete program emphasizing nutritionally dense whole foods at work

Health Education and Awareness

- My eHealth portal, which includes family health guides and personal health trackers
- Global health observances (such as World AIDS Day and Breast Cancer Awareness Month)
- Newsletters, health fairs, events, and classes

Concentrating on people with multiple risk factors typically yields the greatest returns for a company. Not only do medical claims accelerate as the number of health risks increases, but absenteeism rises disproportionately as well. The cost of claims for the average individual with two to three risk factors is 25% higher than the average for someone with zero or one factor, but those costs balloon an additional 50% for individuals with four or more factors. According to the Institute for Health and Productivity Management, the average individual with zero or one risk factor is out sick 2.45 days a year; a person with four or more risk factors is out five times as much—13.16 days.

Beyond that, it's essential to identify which risk factors are most common and channel resources accordingly. For instance, cholesterol-lowering drugs are more effective in people at high risk for coronary artery disease; many cancer screenings are more beneficial to those with a family risk of cancer. That's why all our prevention efforts start with an annual health risk assessment. That—coupled with analytical tools that allow us to link risk factors, health care costs, and productivity impairment—ensures that we invest our resources where they will do the most good.

2. Narrowing down the problem doesn't mean narrowing the solution. Experience has taught us that the wellness program itself must take a comprehensive, end-to-end approach, spanning the entire spectrum from wellness services, through diagnostics, screening, risk-reduction programs, behavioral health, all the way to chronic-disease management. (See the exhibit "What Goes into J&J's Comprehensive Wellness Program.") No part should be omitted, but you don't need to start from scratch. We've found it makes sense to build from current programs with proven third-party resources that incorporate sophisticated behavioral science and advanced technologies. As the world has become more digital, for example, we've added interactive and personalized online health-coaching programs from HealthMedia, a company we purchased in 2008. Those programs target weight management, physical activity, nutrition, smoking cessation, sleep problems, depression, stress management, back pain, diabetes, high blood pressure and cholesterol, and more.

From an organizational standpoint, we derived the greatest cost efficiencies when we combined the administration of our wellness

Steady Improvement

These data illustrate the gains Johnson & Johnson has made in employee wellness, relative to its past performance and to other relevant benchmarks. Numbers reflect the percentages of people at risk because of specific health risk factors.

Risk factor	J&J, 1999	J&J, 2009	Other U.S. businesses that track employee health statistics, 2009[a]	U.S. population, 2008[b]
Smoking (current user of any tobacco)	12%	3.9%	14.9%	18.4%
High blood pressure (140+/90+ mm Hg)	14%	6.3%	8.1%	27.8%
High cholesterol (240+ mg/dL)	19%	5.3%	6.4%	37.6%
Physical inactivity[c]	39%	20.4%	44.4%	51.2%

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initiatives with our broader employee benefits programs, including occupational safety, mental health, and disability. The impact of integration cannot be overstated, and not just because of the efficiencies gained from sharing information, people, and resources but also because helping people become or stay healthy often means addressing more than one aspect of their lives. For example, the National Institutes of Health has found that depression is a predictor of poor medical outcomes, noncompliance, health complications, further disability, and earlier deaths. Our own data show a strong link between our EAPs and improvement in the lives of employees with chronic diseases. From EAPs alone, we estimate we've saved $5,000 for each participant.

3. Incentives should attract the right people to the right programs at the right time—and keep them engaged. Health care is highly personal, and we've found that the most effective incentives are personal as well. (See the sidebar "What Employees Want from Their Companies Regarding Wellness.") The company's role needs to be at once bold and subtle. It must be robust in its willingness to invest in monetary incentives and to create truly effective, convenient programs. I cannot stress enough that these expenditures are investments, not costs.

The importance of monetary incentives notwithstanding, true engagement can be achieved only by unlocking each employee's intrinsic motivators (as anyone who has tried to persuade a spouse to quit smoking or lose weight knows). Our experience has consistently confirmed Jim Burke's original hypothesis: You *can* motivate people to take care of themselves by giving them specific information about their own health risks and making it as convenient as possible for them to address those risks. But in the administration of the program itself, the company needs to use a light hand. How does that work at J&J?

Imagine an executive we'll call Barbara. Every year, she is invited to complete her health risk assessment. She fills out a form that asks her questions about her lifestyle: Do you smoke? Do you drink? Are you having trouble sleeping? How much exercise are you getting? How regularly do you use seat belts? How many servings of fruit and vegetables do you eat a day? Barbara goes to an on-site clinic or to her doctor to have her blood pressure, blood sugar, and cholesterol tested, and her height and weight measured to determine her body-mass index. She receives her results (both current and previous, for comparison purposes) online. Having completed the assessment, if all is well and no health risks were identified, Barbara gets to keep the $500 rebate already credited to her health care premium.

But let's say all is not quite well. Then Barbara will get a call from a health adviser, who

What Employees Want from Their Companies Regarding Wellness

by Calvin Schmidt, President, J&J Wellness & Prevention

In 2009, as part of the research we did to develop our Wellness & Prevention service offering for other companies, modeled on our own programs, we conducted a study of the lifestyles, health status, personal priorities, and goals of some 3,000 employees of large companies. The survey included questions about what role people think their employers should play in improving or maintaining their health. Their responses were strong and unambiguous: People want their companies to actively help to keep them healthy. Although an overwhelming majority would welcome a company-sponsored wellness program, less than a third thought their organization was committed to providing one. Specifically, we found:

- 83% of respondents felt it was appropriate for their company to offer a health and wellness program.
- 77% expressed an interest in participating in such a program.
- Only 26% felt their company offered a strongly supported health and wellness program.
- A mere 6% felt that the health and wellness program was an integral part of their company's mission or culture.
- In companies where the employees felt that health and wellness programs were strongly supported, respondents were more satisfied with their jobs overall, more committed to their employers, and less frustrated while at work.
- Employees look to management for permission to prioritize their health. Respondents stressed the importance of the commitment (through communication and example) by the company's senior leadership to creating and sustaining a culture of health.

will talk with her about her results and guide her to relevant online or worksite programs. "You scored low on nutrition and stress measures," the health adviser might say. "I advise you to seek assistance. Here is an online resource that addresses your nutrition needs. Here are our Balance and Relax online digital health-coaching programs. You may also wish to consult with your doctor and take a copy of this report with you." Barbara will be able to access her health profile report online at any time, along with the names and phone numbers of her unit's occupational health, wellness, and EAP professionals. Participation is voluntary, but if Barbara doesn't take the call from the health adviser, she loses the $500 incentive.

4. Build a sustainable culture of health, starting at the top. As anyone who has instituted a benefits program (or tried to take advantage of one) knows, leaders can propose a benefit, but it often requires the cooperation of the frontline manager for the employee to feel comfortable taking advantage of it. These programs won't work if we tell people, "You need to take care of your health," but our organizational culture sends out other signals. For example, it's counterproductive if Barbara goes to the gym during working hours and her manager and coworkers say, "What? You don't have anything to do today? You don't have any work?"

To truly establish a culture of health, then, you must extend it not just to employees but to management. I suggest starting not by educating your employees about their health risks but by educating the leadership team. Specifically, emphasize the connection between health and business, the impact of good health on business success, and the current extent of your company's direct medical and lost-productivity costs. With a common understanding of the problem, we at J&J have found it fruitful to build a shared view of possible solutions through firsthand experience with the benefits of a wellness program.

One way to do that is to send the members of the leadership team through an intensive off-site wellness-training program in which their *own* health risks are identified and highly personalized wellness programs are created for them. Charge them with leading by example. (Even simple steps can have a remarkable impact, such as when I or other executive committee members take the time to lead walks near the campus of J&J's headquarters.) As the program takes shape within the organization, use enthusiastic early adopters as champions to bring more people into the program.

5. Measure outcomes, not effort. Ultimately, prevention initiatives need to be treated like any other vital element of corporate strategy, with quantifiable goals and metrics. As in other parts of your business, the metrics you track must be meaningful—not the number of hits on the website, brochures delivered, or phone calls made but data that track the prevalence of the targeted health risks in your population, improvements in program costs, levels of employee participation, productivity gains, and absenteeism rates against your own previous results and against industry benchmarks. Ideally, you want to integrate data from multiple sources to generate robust, clinically validated results.

We have set five-year goals for risk-factor reductions, and we track measures annually both at the corporate and operating-company levels. That fosters healthy competition among the units. In addition, our online digital health-coaching solutions generate outcome data in much shorter time frames and tie these data to improvements in performance and productivity.

Results from the Balance and Relax weight-loss program, for instance, reveal why we're so enthusiastic about using web-based programs to deliver targeted, personalized solutions effectively and at scale. In just six months, 46% of J&J participants in one such program dropped at least one point in body-mass index, and fully a third of the obese participants lost more than 5% of their weight. We estimate that related productivity improvements represent a savings of $4,000 for each participant.

We have just completed our third large-scale independent assessment of the program (for the period from 2001 through 2008), conducted in conjunction with Thomson Reuters and Emory University. The $2.71 ROI I cited earlier comes from that study. The data show steady declines in all risk factors compared with our previous results, relative to a normative group of companies that also track these data, and measured against Centers for Disease Control and Prevention figures for the United States as a whole. (See the exhibit "Steady Improvement.") Those statistics translate directly into lower health care costs—the $21 million in costs avoided from 2001 through 2009 is attributable to improvements in these four risk factors among our U.S. employees alone. More important, we now have a more productive, more committed workforce.

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A Broader Vision

Our nation's debate over health care costs underemphasizes the fact that so much of the crisis is preventable. Various studies suggest that anywhere from 10% to 20% of the U.S. population generates between 70% and 80% of all health care costs, largely through claims for cancer, heart disease, diabetes, and other serious illnesses. And yet the World Health Organization estimates that 80% of all cases of diabetes and cardiovascular disease and 40% of all cancers could be avoided if people quit smoking, exercised more, and ate a healthier diet.

We at Johnson & Johnson believe that society will not reduce health care costs and improve lives until we pay as much attention to preventing disease and its complications as we do to treating it or insuring care. Illness takes an enormous toll on employees' productivity. It affects how they feel about their jobs and drains a company's competitiveness. People invest emotionally in their jobs if we invest in them. It's just that simple. And for all the time we spend at work, an investment in health is not such a big investment at all.

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