

# Employee Physical Examinations

## HEALTHY EMPLOYEES = A HEALTHY BOTTOM-LINE

Healthcare expenditures are rising exponentially within the United States. According to the Centers for Medicare and Medicaid Services, national healthcare spending comprised a shocking 17.9%<sup>i</sup> of annual GDP in 2011 – and this figure is expected to grow to 19.6% of GDP by 2021. Since 1960, total health expenditures have increased at a significantly faster pace than the economy.<sup>ii</sup> One must wonder: What is the culprit?

In 2011, the nation spent \$2.7 trillion on healthcare,<sup>iii</sup> and studies have shown that approximately 75% of healthcare expenditures are spent on the treatment of chronic diseases such as hypertension and type 2 diabetes.<sup>iv</sup> This percentage comes as no shock given that over 100 million Americans presently live with at least one chronic disease.<sup>v</sup> However, disease does not only take a toll on individuals and their families; the burden of disease on employers is financially significant as well. Employers now spend, on average, at least **\$18,000 per employee per year**<sup>vi</sup> on costs directly related to illness and the impact of illness on worker productivity.

Taken at an aggregate level, these statistics are even more alarming. Poor employee health is anticipated to cost the national economy at least **\$260 billion each year** in lost productivity.<sup>vii</sup>

### Key Takeaways for Employers:

- The nation's health crisis is taking a financial toll: Employers spend an average of \$18,000 per employee each year on costs related to illness and worker productivity.
- Early detection of disease during a physical exam is a key means to cut costs that result from chronic disease.
- Absenteeism, and the consequent need for sick pay, replacement employees, and re-training is extremely costly, as is the decline in productivity from sick employees.
- Exam programs have been shown to significantly decrease rates of absenteeism and boost employee productivity.
- Physical Examination Programs have a measurable, positive Return on Investment.

Clearly, steps need to be taken to mitigate the nation's health crisis and the resulting financial toll on employers. Fortunately, the detrimental side effects and mounting costs of many diseases can be avoided altogether. What is the best way to avoid disease? The answer is simple: **early detection**. Indeed, employee wellness programs that include physical exams and biometric testing can detect diseases in their earliest and most treatable stages, significantly reducing employer medical expenses and, of course, also potentially saving employees' lives.

The majority of US employers offer some type of employee wellness services. However, programs can be quite basic, and a 2012 survey released by the International Foundation of Employee Benefit Plans revealed that 30% of American employers<sup>viii</sup> currently do not offer employee wellness programs at all.

Poor employee health is expensive. Employers spend \$18,000 per employee each year on costs related to illness and lost productivity. The national economy loses \$260 billion annually due to lost productivity from sick workers.

Is your company part of this 30%, or do your wellness initiatives lack a physical examination component? Even though there is a cost associated with implementing a new program, physical examinations have a measurable, positive return on investment (ROI) on both your employees' health and your company's financial statements through reduced health care costs, lower rates of absenteeism, and enhanced productivity.



## Health Care Cost Reduction

The seven most common chronic diseases, hypertension, stroke, heart disease, diabetes, cancer, and mental and pulmonary disorders, cost employers at least \$1.3 trillion each year.<sup>ix</sup>

However, many of these diseases can be readily detected during their early stages via the basic tests such as blood pressure monitoring, complete blood counts, chest X-rays, and urinalysis that comprise a typical physical examination, and early detection saves money. Indeed, by providing employee wellness programs that include event-specific physicals, many nationwide employers have decreased their employee health care cost burden by \$1 – \$3 for every dollar spent.<sup>x</sup> Other analyses show that wellness programs, including annual physical exams, have reduced employers' health costs by an average of 26.1%.<sup>xi</sup>

In 2010, *Health Affairs* released an analysis of wellness programs that include employee physical exams. This study found that such initiatives reduced companies' health costs by \$3.27 for every dollar spent.<sup>xii</sup> Another investigation discovered wellness programs and physical exams diminish workers' compensation and disease management costs by up to 32%.<sup>xiii</sup>

Here is yet another example of the cost-saving benefits of corporate physical examination programs. Since 1983, Bank One has conducted executive physical exams at its corporate headquarters. During a three-year period, Bank One discovered that it paid \$5,361 in medical claims for executives who received annual physical exams. In contrast, it paid \$6,426 per executive who was not evaluated each year. In other words, the company's physical examination program allowed Bank One to **save over \$1,000 per employee** on an annual basis.<sup>xiv</sup>

Further examples of cost-savings tied to physical examinations abound. In an effort to ease medical costs, Chippewa County, Wisconsin, established a wellness program for county employees that includes a physical exam with biometric testing, resulting in a total health care cost reduction of \$500,000 in 2008 alone.<sup>xv</sup> Lafarge North America, a large supplier of construction materials, saw similar results with its "Building a Better You" program, which includes on-site physicals. Over a span of three years, the company saved **\$30 million** in medical and pharmacy costs and saw fewer employee hospital visits and less disability incidence due to healthier employees.<sup>xvi</sup> Finally, by offering employees annual physical exams and other wellness initiatives, Confluence, a financial services software provider, decreased its healthcare premiums by 13%.<sup>xvii</sup>

### Physical Exams Save Money:

- Annual physicals saved Bank One \$1,000 per employee each year.
- Lafarge North America saved \$30 million over 3 years with a wellness program that included physical exams.
- Chippewa County, Wisconsin, cut expenditures on county employee healthcare by \$500,000 following the implementation of wellness services.

As the previous examples demonstrate, the short-term costs of annual employee physicals are far less than the long-term expenditures that result from employee illnesses, hospitalizations, and surgeries. Time after time, researchers have found that by investing proactively in employee healthcare, companies have been able to realize a much healthier bottom line.



## Absenteeism

In addition to unpredictable or seasonal illnesses, employee absenteeism can be caused by hospitalizations, surgeries, and other medical procedures that become necessary to provide care for chronic conditions. Multiple costs result when employees are away from work. For example, businesses must pay for employee sick and disability leave and may need to invest time and money in finding a temporary or replacement employee. However, it is possible to take preventative steps to mitigate these costs. Indeed, according to a 2013 Cornell university study, by emphasizing and investing in employee health to

“...for every dollar spent on employee wellness, absenteeism costs fell by \$2.73

## Absenteeism is Expensive: Exams Offer a Healthy Return on Investment

- Sick pay and hiring and training replacement employees add up.
- Physical exams that identify diseases before they become serious conditions have reduced rates of absenteeism by 28%.
- Studies have found that every dollar invested in employee wellness cuts the costs of absenteeism by \$2.73.

identify diseases and latent conditions, many US-based companies have been able to reduce absenteeism by 28% while cutting health care and workers' compensation claim costs by similar margins.<sup>xviii</sup>

US companies aren't the only ones working to reduce absenteeism via investment in employee health, and the cost savings from lower rates of absenteeism has been noted worldwide. In recent years, a wide range of global companies have taken steps to reduce the financial impact of absent employees by implementing employee physical exam programs. For example, by setting up on-site physical exam clinics, Parcelforce Worldwide, an express parcels provider, has decreased rates of employee absence due to illness by nearly 30%. Similarly, Foyle Food Group's physical exams have helped diminish absenteeism by 15% overall, have kept short-term absence below 3% of the workforce, and have decreased the number of employees out of work for more than seven days by 84%. Furthermore, Ernst & Young's London headquarters' annual employee physicals have resulted in a 3% fewer days lost to absence across the total workforce, even though the total size of the workforce has grown.<sup>xix</sup>

The financial benefits of physical exams and employee wellness programs have been well-documented in leading American-based healthcare publications and journals. Health Affairs noted that for every dollar spent on employee wellness, absenteeism costs fell by \$2.73.<sup>xx</sup> The publication also revealed that wellness programs that include a physical exam can moderate sick leave, disability costs, workers' compensation, and other health plan-based costs by at least 20%.<sup>xxi</sup>

Frequently, companies' solutions to absenteeism, including temporary hiring and work-from-home alternatives, constitute immediate fixes instead of long term solutions to the problem. However, as the previous examples demonstrate, by identifying employee illnesses during physical exams, companies can lessen the financial burden of absenteeism. Importantly, exams also provide companies with an opportunity to make sure employees are up-to-date on all of their vaccinations, another crucial means of staving off seasonal illness and promoting general good health.

## Productivity

Frequently, employees opt to continue to work on a full-time or part-time basis in the midst of illness, disease diagnosis, and other health maladies, but this decision can lead to weakened on-the-job performance, often referred to as “presenteeism”. Employees who are physically weakened or overwhelmed by health conditions cannot fully concentrate on job responsibilities, leading to diminished productivity, project postponements, and below-average work quality, all of which negatively impact a company’s bottom line.

Employee productivity is a primary concern for any employer. In fact, a report released by Hewitt Associates found that 65% of surveyed employers viewed employee health and productivity as one of the top three business issues.<sup>xxii</sup> Across the globe, organizations are reacting to employee presenteeism by developing worksite clinics and offering wellness programs with annual physicals to their employees.

For example, by providing on-site health clinics and physical examinations, Parcel-force Worldwide has increased employee productivity considerably. Indeed, productivity increased by nearly 13 percent following implementation of the company’s exam program. In a similar vein, Astra-Zeneca saved up to £700,000 as a result of wellness programs, and much of this savings was tied to enhanced employee productivity.<sup>xxiii</sup> In yet another example, by offering employees prevention-focused healthcare programs such as blood pressure monitoring, GlaxoSmithKline has increased employee performance and productivity by 7 to 13 percent.<sup>xxiv</sup>

“**Not only do physical examination programs result in healthy employees, they also lead to a healthy bottom line.**”

Employee productivity is a top concern for 65% of employers. Multiple studies have shown physical examination programs boost productivity by up to 13%



## Conclusion

Employee wellness programs and physical exams have been broadly utilized by global companies to significantly diminish healthcare costs, reduce rates of absenteeism and presenteeism, and boost productivity. The ROI of physical examination programs is measurable and has been well documented in a variety of studies. Not only do physical examination programs result in healthy employees, they also lead to a healthy bottom line.

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