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Wellness for Law Firms — Cure All or Snake Oil?

BE A HERO BY CHOOSING CAREFULLY

Unless you've been living in a cave for the past couple of years, you are probably painfully aware of how damaging the impact of health care costs are on your firm's bottom line.

Since 2000, health care costs have increased more than 87%, outpacing wages, inflation and average law office revenue growth by a factor of 5.¹ Corporate health promotion programs have been around for decades, but suddenly companies are running frantically through the aisles, snatching wellness products and services off the shelves in hopes of cutting health care costs.

***The good news?** Well-planned, funded and implemented wellness plans slow health care rises, improve productivity, and boost recruitment efforts.*

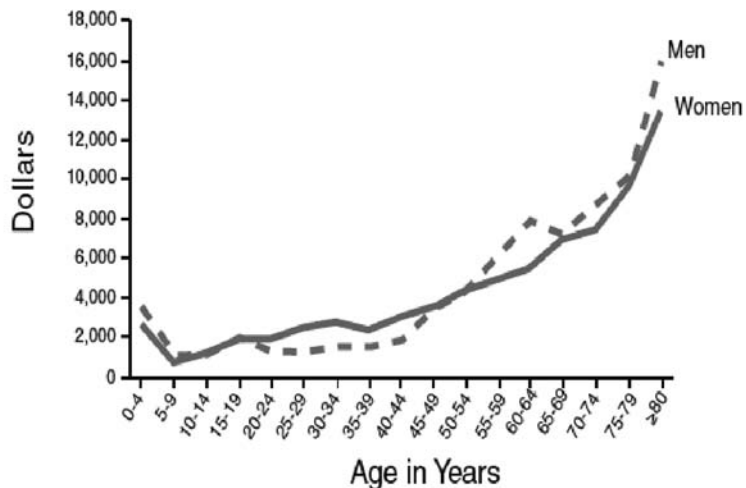
***The bad news?** With no gold standard for what "wellness" means, the results vary widely and a poorly implemented program is likely to end up becoming a corporate boondoggle*

A LOOK UNDER THE HOOD

Business analysts see troubling trends in United States health care spending; however, few policy makers or industry experts seem to have anything in the way of stopping the train barreling down on the U.S. Economy. The US currently spends 17% of its gross domestic prod-

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Estimated Per Capita Health Expenditures by Age and Sex, 1995



Source: From *Baby Boom to Elder Boom: Providing Health Care for an Aging Population*. Washington, DC: Watson Wyatt Worldwide, 1996.

uct (GDP) on health care. Health care spending is projected to reach 20% of GDP by 2015.²

A combination of market forces such as:

- a baby boomer population headed toward some of the most medically costly years of their life,
- an increase in the number of lifestyle diseases that require expensive drugs and frequent care,
- increased cost of medical treatment and prescription pharmaceuticals,
- a growing number of uninsured who wait to seek coverage until their medical needs are urgent,

translates into fewer payers bearing more of the growing costs.

In the field of law specifically, the median age of lawyers went from 39 in 1980 to 45 in 2000. Retaining the increased institutional knowledge of the baby-boomers is a huge asset to firms; however, experience rated and self-insured firms know that the cost of health care for employees in that age bracket is expensive.

What comes, perhaps as a bigger shock is that 75% of health care spending pays for illnesses that are preventable.

A study by the *Journal of the American Medical Association* revealed that the three top actual causes of death in the United States were: smoking, diet and inactivity, and alcohol.³

A study of the increase in death rate based on diet examined 42,254 records between 1979–1993, concluding that those with the worst diets were almost twice likely as those with the best diets to suffer from a whole host of diseases such as cancer, heart disease and stroke.⁴

Who is paying these costs? Currently private business shoulders 34% of the

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national health care burden, second only to the 36% that the federal government pays.⁵

While it might be tempting to assume that single payer health care will rescue private industry from a losing hand in the health care game, it is anyone's guess how likely it is that the American public will elect to shoulder the financial burden currently estimated to be 4.3 times what the US spends on national defense.⁶

TURNOVER, RETENTION AND PRODUCTIVITY

In addition to all the talk of health care cost increases, law firms have other very pressing issues to address. Law firm

consolidations, a large share of talent preparing to retire, and a shrinking number of JD enrollments, is creating a pinch for labor. Attracting quality candidates, with any bait that will lure them, is a top priority for many firms.

The American Lawyer on the Web annual survey reports: "... the need for firms to differentiate themselves will become apparent even to the hidebound. This year's famous hike to \$160,000 in starting pay for first-year associates did not buy hiring firms anything in terms of separating themselves from their competition."

And once an associate is hired it is no guarantee he will stay. Nearly half (42%) of all entry-level associates who left a law firm job chose another law firm as their subsequent employer, forcing firms that anticipate expanding in to new markets to up the ante on not only recruitment, but also retention programs.⁷

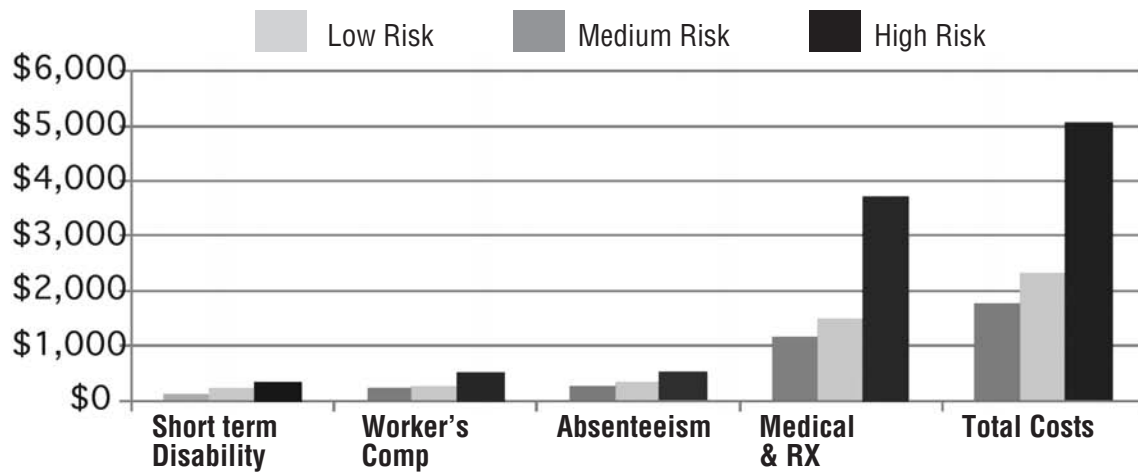
How productive are the attorneys and staff who stay put? Even firms that are not experience-rated or self-insured feel the pain. Poor employee health contributes to absenteeism and presenteeism, eating away at billable time, productivity, and morale.

According to a study in the *Journal of Occupational and Environmental Medicine*, men who smoke incur \$15,800 (in 2002 dollars) more in lifetime medical expenses and are absent from work four days more per year than men who do not smoke.

Women who smoke incur \$17,500 (in 2002 dollars) more in lifetime medical expenses and are absent from work two days more each year than nonsmoking women. Similar statistics hold true for individuals with low physical fitness, high levels of perceived stress, and other indicators of poor health.⁸

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High Risk vs. Low Risk Employees — Costs Compared



Source: Wright, Beard, Edington. JOWM. 44(12):1126-1134, 2002

CAN WELLNESS REALLY HELP?

SHPS estimates that the financial impacts of behavioral health programs such as wellness and disease management can decrease the average health trend by 30% — more than health plan redesign, consumer advocacy or benefits administration combined.⁹ Wellness programs have been shown time and

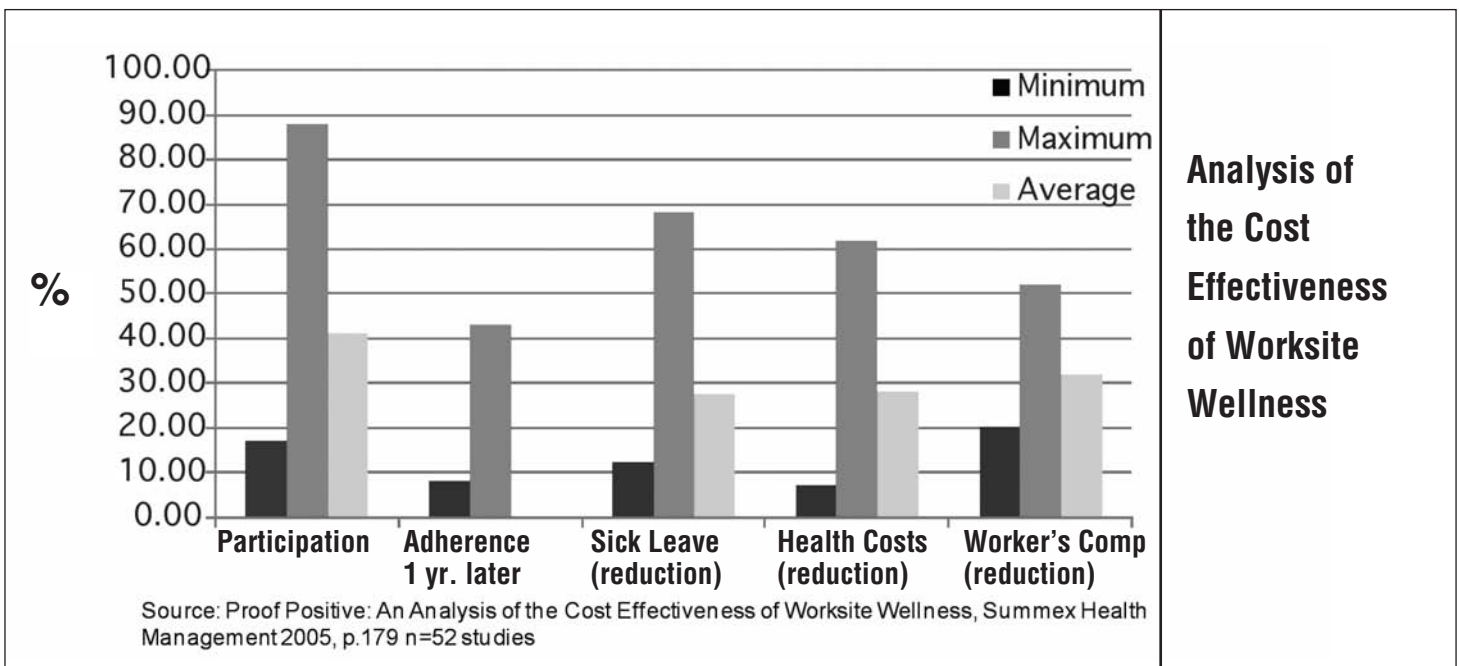
time again to be effective at reducing costs; however, the wide range in outcomes suggests that proper implementation is key to sustaining results.

That is to say, the most effective wellness programs reduce costs by doing two things:

1. Ensure that high and medium risk employees show measurable reduc-

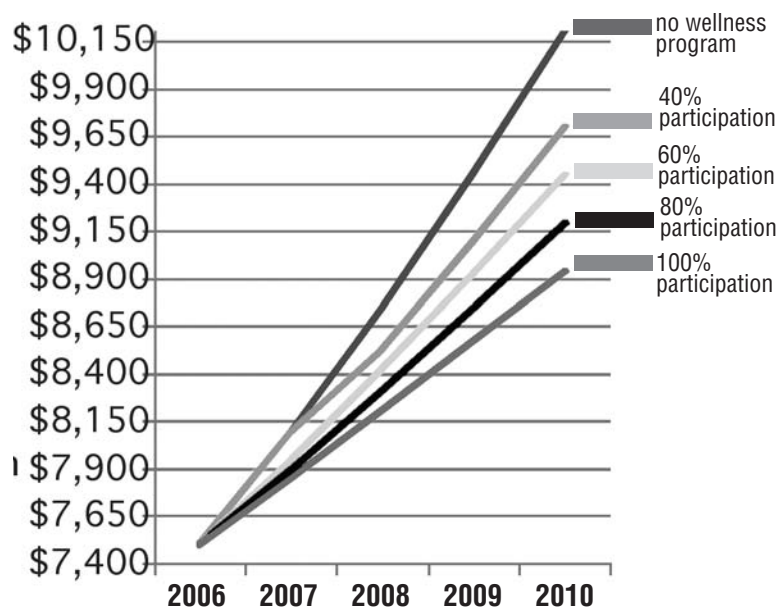
tions in the number and severity of their health risks and that low risk employees stay at a low level of risk.

2. Ensure that a majority of the workforce is actively participating in a comprehensive and ongoing worksite wellness program geared at reducing a variety of health risks (smoking, diet and inactivity, alcohol, stress).



Analysis of the Cost Effectiveness of Worksite Wellness

Per Employee Per Year Health Cost



Based on UMHMRC Edington — assumes that participating employees reduce risk factors by .17 per year and that health care costs grow by 8% per year.

The difference between the most comprehensive and aggressively managed health and wellness programs and the least aggressive programs is significant — as much as \$1,500 per employee per year.¹⁰ As firms grow, the impact this makes on the bottom line could be the difference between having enough wiggle room to fuel growth and stagnation.

The Wellness Councils of America featured a case study of West Virginia law firm, Jackson Kelly, “In recent years Jackson Kelly has experienced a burst in rising health care premiums, with the largest single increase — 35 percent — occurring in 2001. However, since the implementation of its wellness program, the firm has been able to reverse the tide. In 2005, health insurance premiums decreased by 21 percent — a first for the self-insured law firm. Owing to the wellness initiative, Jackson Kelly was able to waive dependent health insurance premiums for three months in 2004.”

What’s more, effective wellness programs consider participation in addition to changing health behaviors, making offering wellness as part of the recruitment and retention plan a no-brainer.

Savvy law firms will use their well-designed wellness programs as they market to prospective candidates and appeal to the tastes of their current workforce in order to improve retention. When asked how important a wellness program would be in their decision to take or remain in a job, 57% of those surveyed said wellness would be a somewhat or very important consideration.¹¹ An exciting, well-designed and popular wellness program helps differentiate your firm’s recruiting efforts and keeps people happy and healthy once they are hired.

BUYER BEWARE

Given the looming threats and the promise that wellness makes, it is no

wonder that many firms’ shareholders are pushing office managers and HR to adopt wellness programming. Yet lack of understanding behind what factors actually drive health care costs and health behavior change creates a situation where wellness program buyers often pick programs that may look good, but deliver underwhelming return on investment.

Web portals, newsletters, telephonic coaching, lunch and learns, and health club memberships are popular offerings among some employers, but outside the confines of a well managed and reviewed wellness program they produce meager results.

Subsidizing gym memberships or building an onsite gym might seem appealing at the outset, but a study by Bradley Cardinal Ph.D. showed that average corporate gym membership usage ranges from 9-20% and is often made up of those who would have gone without their employers’ support. Telephonic help lines average 2–4% participation. Onsite workshops average 2–10%.¹²

Health risk assessments can be useful in tracking whether or not a wellness program has produced health behavior changes, but self-reported data can make accuracy tricky. HRAs and biometrics screenings are a useful tool for managing a wellness program overall, but they often do not give employees enough information or support to maintain sustainable changes in health behavior without comprehensive follow-on programs and incentives.

Without a well defined and understood scope, lucidly managed and tracked metrics, and continual attention, wellness programs show limited impact on employee health and well being. Assessments and screenings should be

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followed with appropriate, science-based, and ongoing risk intervention programming.

COMPARISON SHOP

Whether you use an in-house expert or an outside consultant, the most critical component of your wellness program takes place before you spend a dime. Stakeholders from all levels of your firm should sit down and discuss the program's goals.

Are you most interested in reducing health care costs? If so then what are your firm's strategic health risk factors?

Are you hoping to use wellness as a way to woo and retain talent? Then how do you plan to measure the perceived benefit?

No organization has an unlimited budget to devote. Thinking about all of the ways you want wellness to work for you will go a long way in taking the next step toward evaluating what kind of programs will give you the most bang for your buck.

Research shows that most comprehensive, ongoing and effective wellness programs cost in the range of \$100–150 per eligible employee per year, but getting started with less could still be effective as long you don't try to do everything at once.¹³

Start by looking at benefits costs and usage along with employee surveys. Identifying more limited goals based on your specific workforce — such as reducing employee stress or improving fruit and vegetable consumption — can be a great way to market a fledgling wellness program on a shoestring budget without letting the scope of the program get too out of control.

When something as simple as walking three hours a week at 2–2.9 miles per hour cuts the risk of dying from breast cancer in half, how can you not choose to help employees get serious about transforming their health?¹⁴ Focusing on what counts, that is, making healthy choices seem fun, easy and do-able, will make a world of difference for your firm and the lives of the people who work there.

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