

# The Case for Wellness

## An Insurance Argument

for saving costs and achieving productivity in the workplace

# Introduction

Health insurance and wellness are two industries which have similar goals. Health insurance is designed to protect you against the cost of medical treatment whilst wellness services aim to ensure that you do not suffer from costly medical conditions relating to your lifestyle choices.

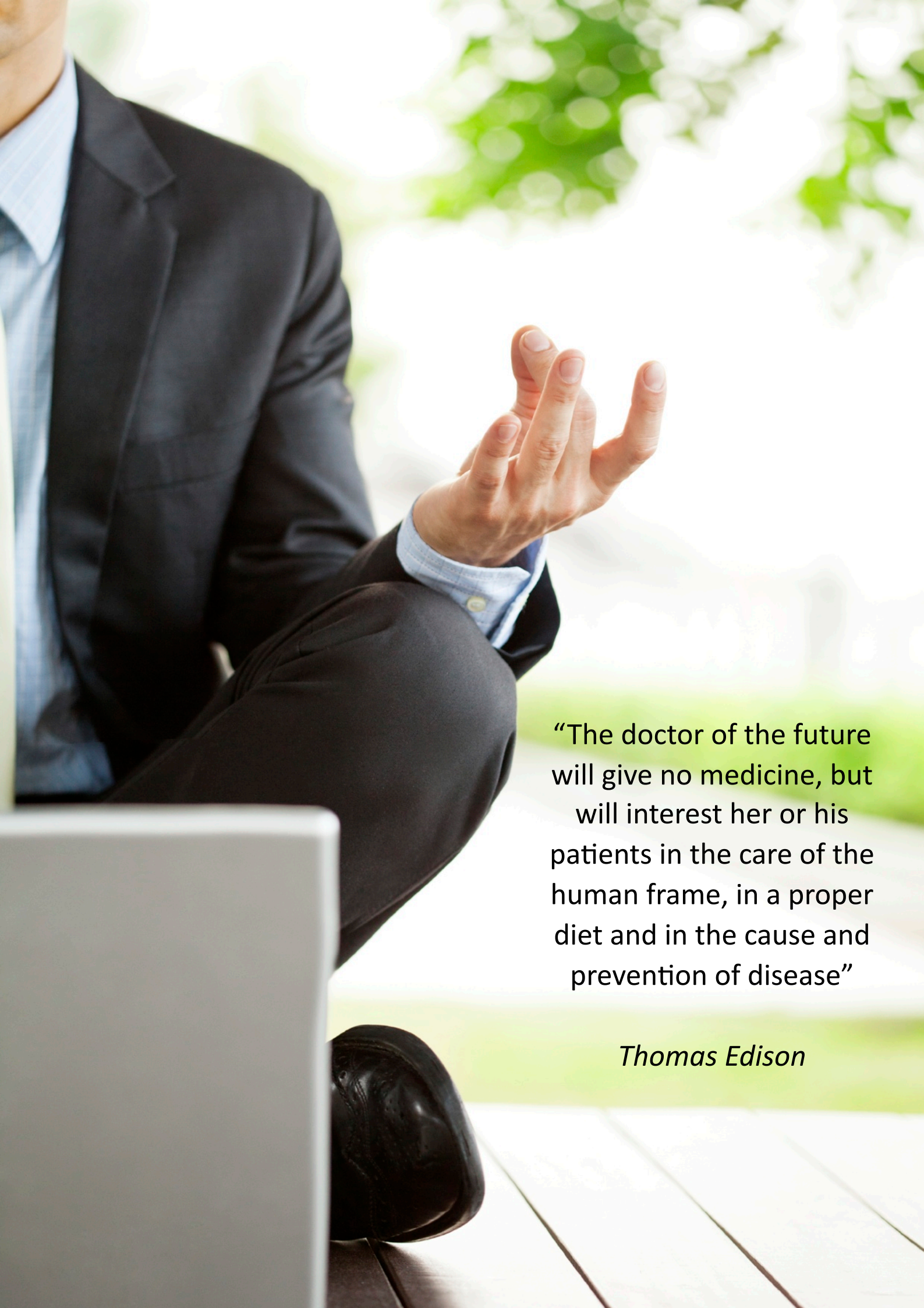
However, while the operations and objectives of wellness activities are mostly understood by consumers at large (in very simplistic terms, eating well or exercising to improve an individual's relative health), the

mechanisms involved in insurance, and more specifically, health insurance are often accompanied with a large degree of uncertainty and confusion.

In this paper you will learn about the move towards higher levels of healthiness in the developed world, and why this shift in behaviors by large portions of society has a potentially beneficial impact on insurance coverage with relation to medical protection.

This will be presented largely on an individual, or personal, basis, but will also include expanded insights into the benefits received by businesses when their employees are actively maintaining a healthy lifestyle and fully utilizing the availability of high quality wellness services.





“The doctor of the future will give no medicine, but will interest her or his patients in the care of the human frame, in a proper diet and in the cause and prevention of disease”

*Thomas Edison*

# The Emergence of Wellness

## The History of Healthcare

Western Medicine has, over the course of the last 50 years, been moving from a system which diagnoses and treats illnesses and diseases towards one devoted to the prevention and avoidance of sickness.

Arguably, this trend started with the discovery of the Small Pox vaccine in 1796, which led to the total eradication of that disease and myriad others (including Leprosy and the Plague – in the developed world, at least). Today medical researchers around the globe are hard at work trying to find preventative vaccine solutions to Cancer and AIDS, two of the biggest healthcare threats faced by humanity.

In fact, Medical Science has been experiencing something of a renaissance since the early 19<sup>th</sup> Century, with more applicable healthcare developments occurring in the last 200 years than were discovered in the previous 2000. One of the most stark facts when it comes to the emergence of prevention with regards to medicine can be seen in the previously mentioned Small Pox virus – Small Pox was first inoculated against in 1701, Vaccinated against in 1796, and only fully cured (on a worldwide basis) in 1978, a full 277 years after the initial inoculation.

Whilst it may be alarming to contemplate a 200 year lead time on the curing of a disease, it is important to remember that our track record in the modern world, especially since 1870

and the discovery of germ theory, is vastly more impressive than the experience of previous generations. Scientists have, over the last 132 years, discovered vaccines for Anthrax, Rabies, Hepatitis A and B, Polio, Tetanus and Diphtheria, and HPV. This is inspiring, especially when considering the fact that vitamins (that's right, the pills you take every day in the morning) weren't discovered until 1906. Medical Science has come a long way since the 1900's, so it is at no great risk to state that medicine, and consequently healthcare, has for the most part become an institution primarily concerned with preventing, rather than curing illnesses.

## From Healthcare to Wellness

This can be seen in all facets of the healthcare industry, even those not traditionally associated with medical "science." How many fitness clubs did you walk past on your way to work this morning? How many spas are located in your residential neighborhood? How many organic food restaurants and stores have opened up in the last 6 months? From fitness clubs to organic food options, there has been an increasing drive to "get healthy" by the population at large, especially in western nations.

Starting in the late 1990's, many experts point to the true emergence of wellness as commencing in 1996 (Paul Zane Pilzer), and today the idea of "wellness" seems to permeate every aspect of our lives.

## Wellness in the 21st Century

While exercising or eating vegetables are not the be-all or end-all of maintaining a healthy lifestyle, they do serve as fairly clear and immediate examples. In developed nations, this drive for healthier lifestyles has resulted in increasing life expectancies, a decrease in the infection rates of major communicable diseases, and higher levels of overall wellbeing (CDC Fast stats 2007). From finding the correct work-life balance, to simple stretching exercises that a person can perform while sitting at their work desk, the idea of wellness is beginning to permeate all aspects of our lives, and educational facilities are available on the philosophies and services achieved via "wellness" from a number of high quality providers.

However, the concept of wellness is relatively new, especially when considering the 2000+ year history of established medicine. While there are definitely clear, noticeable, and tangible benefits to wellness and maintaining a healthy lifestyle, these benefits have not been fully understood or noticed by a raft of industries which many people interact with on a daily basis. One clear example of an industry which has been slow to fully capitalize on the positive impact created by wellness services is the insurance industry, and more specifically health insurance companies.

# Wellness and Insurance

In order to understand how insurance fits into the world of wellness we first need to look at exactly what it is that insurance does.

Insurance is defined as *the equitable transfer of risk from one party to another in exchange for a predetermined fee*. In the case of health insurance, the risk which is being transferred is the costs associated with the policyholder's medical expenses. In the simplest terms, a medical insurance policy will cover the risk of your healthcare costs in the event that you fall sick or suffer from an injury and require treatment.

One of the biggest problems many people face in relation to health insurance is the fact that good coverage, or a great all-inclusive comprehensive policy, is normally fairly expensive – often running in excess of USD\$ 2,000 per person per year. The reasoning for this is because of the costs of healthcare treatment.

As per the definition of insurance illustrated above, with health insurance you are exchanging your risk of having to pay costly medical fees to the insurance company by paying a premium. However, medical care is expensive, and as costly as it is to receive high-quality healthcare treatment currently, it is important to realize that those costs will continue to increase in the coming years. The global average costs associated with medical services and healthcare treatment are increasing at an approximate 11 per cent per year.



*Insurance is defined as the equitable transfer of risk from one party to another in exchange for a predetermined fee.*

## Wellness and Insurance, cont.

This means that in order to cover any future healthcare expenses, the premium charged by health insurance will increase, as they have to be fair and reasonable in representing an equitable transfer of the associated risk. Additionally, due to healthcare inflation, the costs of health insurance coverage will continue to increase in tandem with the costs of healthcare; presenting a situation where in the not-so-distant future the costs involved in coverage are simply too high for individuals and businesses to cope with.

However, a shift in this pattern of perpetual increases is occurring alongside the move of large segments of society towards higher utilization of wellness services and lifestyle changes - ultimately leading to higher levels of healthiness.

An example of this shift towards healthier lifestyles can be seen in the rates of smoking and tobacco use in various countries worldwide. In the UK, for example, the number of smokers has been decreasing by approximately 0.4 per cent per year since

2000 (as per a recent report by ASH.org.uk), and in the USA there are now more ex-smokers than smokers (47 million to 46 million, according to Marketwatch).

Smoking is a serious health risk directly leading to an array of major medical conditions including heart attack, stroke, gum disease, and cancer; and smokers are at a higher risk of developing these conditions later in life than non-smokers. Yet, if a smoker quits the habit, within 5 years their risk of these diseases drops to that of a never-smoker. This lowers their chances of needing costly medical treatment which would be paid for by a health insurance policy (in the event that the smoker in question held such a plan).

### Rewards-Based Systems

A number of health insurance providers are moving towards a rewards based system, revolving mainly around a financial incentive; rewarding policyholders who are developing healthier lifestyles and making more health-conscious decisions in their everyday choices. If a health insurance policyholder can maintain a healthy lifestyle, then the risk of illness they present to the insurance company (or, their risk of needing costly healthcare treatments) will be that much lower than the population at large. This decreased risk of illness is starting to be recognized by major international insurance providers who are beginning to reduce the health insurance premiums of "healthy" individuals.

PREVALENCE OF CIGARETTE SMOKING, GREAT BRITAIN			
YEAR	MEN	WOMEN	ALL
1974	51%	41%	45%
1978	45	37	40
1982	38	33	35
1986	35	31	33
1990	31	29	30
1994	28	26	27
1998	28	26	27
1998	30	26	28
2002	27	25	26
2006	23	21	22
2010	21	20	20
2012	22	19	20

Note: Data was obtained from the October 2013 report by Action on Smoking and Health, [www.ash.org.uk](http://www.ash.org.uk)

# Case Studies



A company which has been championing the health and wellness movement within the medical insurance industry is BUPA, one of the United Kingdom's oldest medical insurance providers.

From providing wellness services to businesses and providing individual policyholders with comprehensive health assessments, through to the provision of a mobile fitness application, BUPA has led the way on wellness within the global insurance industry; but more companies are starting to follow this direction, including PruHealth in the UK and Discovery Health in South Africa.

Policyholders holding plans from either PruHealth or Discovery Health are rewarded for healthy lifestyle habits, such as owning a gym membership, which earn the individual "vitality points." The medical insurance plans from these two insurers come with discounts on gym memberships, through which the insurance company can track the number of times the policyholder visited a fitness center.

The more trips to the gym the policyholder makes, the more "vitality points" they are able to earn on their health insurance plan. If enough vitality points are earned by the policyholder they can then be refunded a portion of their overall insurance premium in

the event that the claims ratio of the insurance policy is sufficiently low.



Another insurance company offering structured wellness benefits is Aetna, a leading American health insurance provider with an established international arm in Hong Kong. In the USA, Aetna provides comprehensive wellness incentives to employers and employees under the company's group health insurance and employee benefits packages.

Policyholders with an Aetna plan can receive a number of discounts on wellness services including weight loss programs, online consultations, books and DVDs about healthy living, gym memberships, home nutrition products, and even steep discounts on alternative therapies such as Acupuncture and Chiropractic services.

## Case Studies in Context

The examples given above are not saying that individuals who maintained healthy lifestyles from day one will be penalized or unable to receive these innovations; they too will receive the benefit of their good choices. However, the benefits available to consumers who may have previously practiced "unhealthy" choices and changed their behaviors will be much clearer in comparison.

Additionally, the determination of exactly what "healthy" means can be incredibly subjective; for some individuals "healthy" would entail going to the gym every day whilst for others it would mean maintaining a vegan diet. For the reforms occurring within the insurance world, "healthy" can be considered any action which is able to positively impact your physical and mental wellbeing, in turn decreasing your risk of developing a serious illness.

In the example of the ex-smoker given above, this individual is now starting to be rewarded for changing their unhealthy habits through a reduction of the cost of their insurance coverage. This means that the ex-smoker is still able to obtain the comprehensive protection they require, but at a highly discounted price over the individual who has continued their tobacco habit.

While smoking may be a fairly obvious example, other simple wellness steps (such as dietary changes and increased levels of exercise) will also contribute to a healthier lifestyle and will consequently be rewarded by the major insurance providers in the new industry dynamic – lifestyle diseases such as heart disease and obesity are, after all, the leading causes of mortality worldwide.

# Wellness in the Workplace

While there is a growing understanding within the population as a whole on the need to maintain a healthy lifestyle through activities such as eating correctly and practicing a regular exercise schedule, the business world has lagged the rest of society in these developments – especially in Hong Kong.

Hong Kong, as one of Asia's leading financial centers is often stereotyped by long working hours, high levels of stress, and excessive focus on work rather than home life. In a city where land is at a premium, it is rare to find a business that offers its employees the use of an on-premises gym, never mind leading edge concepts like nap pods or in-house masseurs.

However, wellness has become so much more than the simple provision of a gym, or sticking up a few tired motivational posters. Should businesses choose to fully utilize the services and philosophies espoused by wellness providers there can be very real and tangible gains for the company.

Not only can wellness services improve employee engagement & productivity and lead to higher levels of employee retention over the long term, but wellness solutions will also improve employee health and morale which will, in turn, directly lead to lowered healthcare costs for the organization.

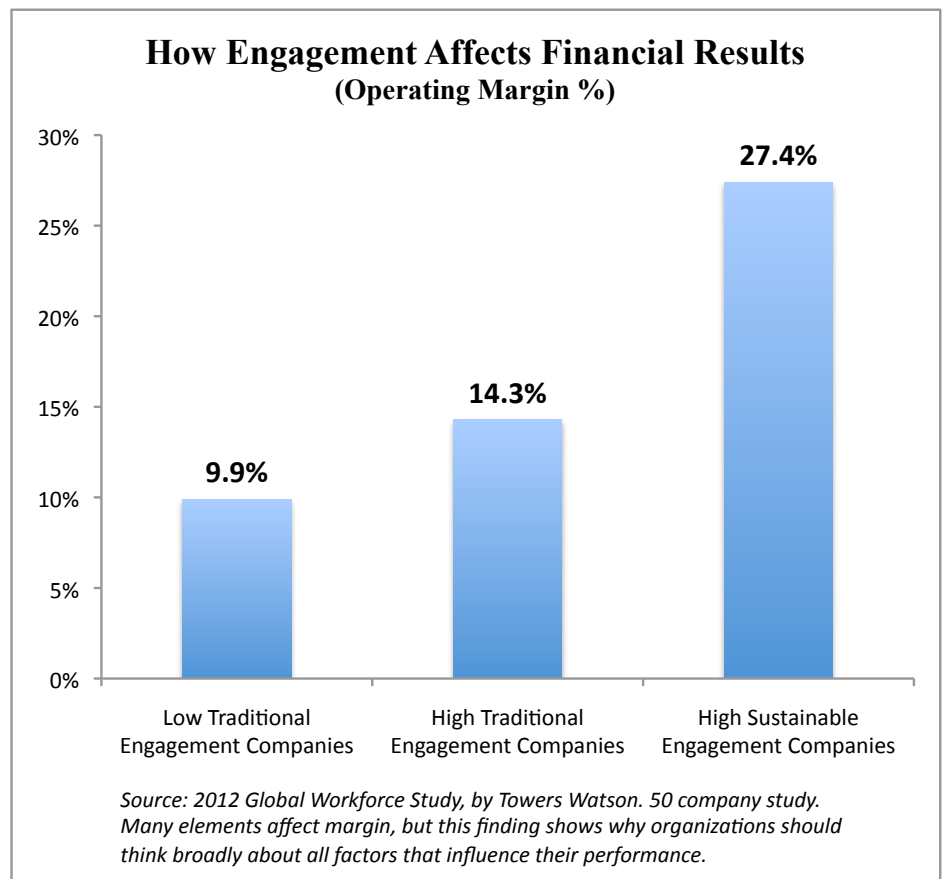
As we have learned with the operations of insurance, the costs of a health insurance policy are based on the "risk" of the individual being cov-

ered requiring healthcare – the healthier the policyholder, or the less risk there is of that individual requiring medical treatment, the cheaper the health insurance plan will normally be.

This is no different when it comes to group and company health insurance; the insurance provider will factor the risk of healthcare for the entire "community" of employees and will calculate the premium accordingly. Consequently, a large company could potentially have a very high medical insurance premium if a single plan is covering all employees – General Motors spent more on health insurance coverage for its employees in 2004 than it

spent on steel to make its vehicles! (*Thinkprogress.com*)

As healthcare costs increase and as businesses continue to manage the ever increasing cost of health insurance protection it becomes increasingly difficult for companies to justify offering health insurance as part of an employee's benefit package. However, with the increasing recognition of the value of wellness services by both businesses and insurance providers, avenues now exist to help companies alleviate a portion of the financial burden of providing such necessary benefits to their workers.





# Wellness in the Workplace, cont.

While these wellness concepts have not penetrated the business mindset in Hong Kong and Asia, reports from the *Wall Street Journal* indicate that a number of ideas for improving business wellness are being pioneered in the USA and North America.

## 1

### Healthcare Educational and Awareness-Based Insurance Incentives



Insurance providers and companies, including Aetna, are starting to offer rewards to employees and policyholders for undertaking activities which include an assessment of their personal health and medical risk factors. Whilst informing individuals about their potential risk factors may not mean any actual action, understanding is a good way to ensure that individuals are at least aware of potential problem areas. Additionally, both businesses and insurers can use assess-

ment activities, such as a health-risk assessment or biometric screening, to further understand their employees' healthcare needs.

Businesses implementing educational and awareness based insurance incentives in the USA, such as offering individual health assessments and check-ups, are experiencing a reduction in insurance premiums by up to US\$100 per participating employee per year; a reported 90% of eligible employees will participate in such a scheme if it is offered.

## 2

### Action-Based Wellness Incentives and Penalties

Action Based wellness incentives will often incorporate aspects of educational enticements, but will also mandate that an action be performed by the employee. An example of an action based wellness incentive scheme would see a company's employee perform a health-risk assessment before obtaining a gym membership or going for a secondary, preventative health screening such as a mammogram.

Employees who fail to participate in the wellness program, either by not undergoing the initial health assessment or by failing to enroll in a health program, can be subject to a monthly surcharge on their salary.

Whilst this may seem unfair to the employee, the business is then able

take the charged amount and use it to subsidize the increased risk the employee presents to the group's health insurance plan – covering the increased cost of coverage for the individual who has no interest in managing their own health.

Additionally, an action based incentive which includes a penalty is a good motivation for employees to get involved in their own wellness by focusing on issues which are important to that individual; namely, their paycheck.

## 3

### Progress-Based Wellness Incentives

In contrast to the scheme proposed in the previous point, a number of companies in the USA are testing progress-based wellness incentives, which reward employees for hitting major health milestones rather than penalizing them for not being involved enough.

Companies, and insurance providers, can set specific health benchmarks for their workers to achieve, such as an ideal cholesterol level or maintaining a healthy Body Mass Index (BMI), which will see the employee earn a real and tangible reward (cash prize, lowered insurance premium, or even a deposit into the individual's health savings account) for reaching the target.

# Wellness in the Workplace, cont.

While workers are far more likely to achieve their goals when receiving a reward, depending on the relative “health” of the employees to begin with, there may be issues with an incentive scheme of this type – seeing a healthy BMI for an individual who was initially morbidly obese will take a tremendous amount of work, and simply showing up at a gym is not enough.

As long as the tracking is implemented and watched in an appropriate manner, significant gains can be made under a wellness program which tracks the progress of employees’ health.

## 4

### Targeted Wellness Incentives

Growing in popularity is the emergence of wellness incentives which occur on a targeted basis; companies giving their insurance providers’ data on their employees’ health and allowing the insurers to create personalized programs and incentives based around the healthiness of that specific group, rather than the market as a whole.

While some employees may feel that such disclosure by their employers is intrusive, by targeting a wellness program, companies are able to increase participation in the scheme by employees who require the most help with their health. By giving the insurers more information, and allowing them to create bespoke wellness programs for the group members,

companies can achieve annual premium savings of up to US\$500 per employee.

The employer can then subsidize up to 50% of the savings realized through the incentive to the worker for the utilization of participating activities (such as a dieting program or diabetes lifestyle program), while putting the remaining savings towards covering the overall group health insurance premium.

Companies such as Johnson & Johnson report a US\$4 dollar return on investment for every US\$1 it spends on targeted wellness programs.

While not all businesses will find each of the above proposals suitable for their needs, the simple fact remains that there are an extensive array of options and tools which can be put into place in order to help a company

ensure that its employees are staying healthy. Healthier employees can then translate into real dollar-amount savings to the business, which can in turn be used by the company to incentivize staff towards higher levels of productivity and overall job satisfaction.

From a health insurance standpoint, healthier employees can mean a much lower overall cost of coverage if the company is providing this type of benefit to its workforce, and as health-care costs (and consequently, health insurance premiums) continue to increase, any savings on this front can mean extreme value to a business’ operations.



# Conclusion

The simple truth is that as we move further into the 21<sup>st</sup> century, there will not only be personal incentives for higher standards of healthiness, but also financial incentives provided through much needed products and services – including health insurance.

Wellness services are only just starting to be appreciated by the insurance industry, but the developments within products like health insurance regarding wellness can have tangible results; not in the least of which are drastically lowered costs of coverage. If businesses, and individuals are able to point to higher standards of healthiness or greater participation in their overall wellbeing, then their risk (both to the insurer and their employer) are sharply reduced.

The USA, UK, and South Africa are all currently pioneering the interlinking of wellness and insurance, with businesses and individuals in these locations currently experiencing the positive results associated with improving personal health.

Whilst these developments have not fully penetrated Asian markets, including Hong Kong, there is a clear and definable trend towards the association of both wellness and insurance. As such, companies which are able to implement a culture of “health” within the organization now will be well placed to reap the extensive financial benefits of the emergence of wellness programs when insurers are able to roll these out in the coming years.

Just as Thomas Edison said, medical science is moving towards prevention rather than cure, but this will only fully develop when individuals are responsible for their own health.

By starting to offer lower prices for medical insurance coverage to individuals and businesses with tangible developments in their health and wellness regimes insurance companies are helping to frame a new paradigm; a paradigm which will hopefully continue well into the future.

## About ALMA Wellness

ALMA Wellness is an innovative education company, specializing in executive health and employee productivity. The company offers workshops and seminars, executive health coaching services, and an online educational platform containing over 100 lectures by Asia's leading experts in executive wellness and personal development.

### Contact

For more information about wellness in the workplace, visit [www.almawellness.com](http://www.almawellness.com)



Executive Health. Redefined.

## About Cooper Claridge-Ware

Cooper, Claridge-Ware Limited was founded to deliver more sophisticated and comprehensive risk management techniques to individuals and businesses in Hong Kong. With decades of experience within the Hong Kong insurance industry, CCW is able to provide comprehensive health insurance solutions which have been tailored to meet specific client requirements. Always putting the customer first, CCW is dedicated to simplifying the process of obtaining insurance.

### Contact

For more information about Group Health Insurance, visit <http://hk.ccw-global.com>

