A Role for Private Industry
Comments on the Johnson & Johnson's Wellness Program

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Introduction

The rise of healthcare costs continues to have a substantial impact on corporate finances. Further, potential legislation may increase the responsibility of business for the healthcare costs of its employees. In this context, private industry has shown increased interest in wellness programs that encourage and support employees in improving their health. These programs have tended to have a dual benefit: improving employee health and morale, on the one hand, and reducing corporate expense per employee on health care, on the other.

Background

Recent National Health Expenditure (NHE) data show a continued rise in the cost of health care, and there are no signs that it will be slowing down any time soon. Specifically, NHE grew 4.0% to $2.5 trillion in 2009, or $8086 per person, and accounted for 17.6% of gross domestic product (GDP). Private health insurance spending grew 1.3% to $801.2 billion in 2009, or 32% of total NHE, and out-of-pocket spending grew 0.4% to $299.3 billion in 2009, or 12% of total NHE.[1] The costs paid by private industry continue to rise with total healthcare costs. Because a solution to this increase has yet to be found, businesses are incentivized to address this expense-side challenge.

The Affordable Care Act of 2010 emphasizes and contains incentives for worksite wellness programs.[2] These incentives come in the form of grants for small businesses, technical assistance from government experts, and legal permission to provide employees with financial incentives to participate in and achieve specified outcomes in their companies' programs.[2] Accordingly, there is a great amount of research being done on the efficacy of corporate wellness initiatives.

During the past decade, and most recently prompted by national healthcare reform legislation, employers have shown increasing interest in implementing comprehensive worksite health promotion programs. The aim of these programs is to improve employees' health and reduce corporate healthcare costs. Many are modeled after the Johnson & Johnson's wellness program because it has become a leading example in program design.

Several studies have determined that wellness programs are a good investment in terms of healthcare costs and/or employee absenteeism. However, there is debate concerning the long-term results of wellness programs. Given the relatively recent introduction of most of these programs, it remains difficult to measure whether their results can be sustained over the long term.

In a 2009 article,[3] Phillips argues that private industry faces the weighty burden of paying its share of rising healthcare costs as most large corporations offering healthcare coverage are self-insured. That article argues that the increasing sums they pay may have an impact on the U.S. economy as, to offset this burden, they will be forced to charge higher prices for services and manufactured goods and reduce the number of jobs. Phillips notes that they have an increasing interest in controlling rising healthcare costs and containing corporate financial responsibility by establishing preventive healthcare programs, and discusses benefits of improving employee health. More specifically, discussion includes wellness programs that generally are behavioral in nature and that focus on prevention of disease. These programs address obesity, smoking, stress, depression, unsafe sex practices, and not wearing seat belts. Phillips's analysis finds that these programs generally have proven effective in reducing healthcare costs for employers.[3]

Similarly, in 2010, Baicker and colleagues[4] conducted a meta-analysis of the return on investment from worksite wellness programs. They concluded that these programs, on average and within 3 years, can achieve medical cost-savings at a rate of $3.27 for every $1.00 spent, *exceeding* program expenses.[4] Still, a common criticism of these studies is that they typically focus on newly introduced programs rather than a smaller number that have been in place for many years. Therefore, it is argued, despite the apparent benefits of such programs' health promotion, research has yet to determine whether they can sustain health improvement and cost-savings in the long run. In

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this context, Johnson & Johnson, which has run a successful wellness program for more than 3 decades, is an important outlier worthy of consideration.

In 2011, Henke and colleagues[2] evaluated the effect of Johnson & Johnson's health and wellness program on employees' health risks and medical care costs. Notably, they contributed new evidence to the literature evaluating industrial health promotion by comparing a matched cohort sample of 31,823 Johnson & Johnson employees to an equal number of employees from comparable companies (as opposed to an intra-company analysis prone to selection bias). The researchers found that Johnson & Johnson experienced a 3.7% lower average annual growth in medical costs compared to the comparison group ($p<0.001$) for the period 2002–2008. For example, Johnson & Johnson's annual average percentage increase in medical and drug costs was 1.0%, which was lower than the 4.8% average expected increase in costs estimated from the experience of the 16 comparison companies.

Moreover, the average annual savings for Johnson & Johnson, when its total medical costs were compared to expected costs from the comparison companies, was $535 per employee per year in 2007 dollars, which is the equivalent of $565 in 2009 dollars according to the Medical Care Services Consumer Price Index. The resulting savings outweigh the 2009 average annual health promotion program cost of $144 per employee reported by Baicker and colleagues,[4] producing a return on investment estimate of $3.92 saved for every dollar spent. With a conservative annual program cost of $300, the return on investment would be lower at $1.88 saved for every dollar spent. Data show that Johnson & Johnson's health promotion programs continue to improve employees' health and produce cost-savings many years after they were first implemented. In addition, Johnson & Johnson's program is delivering a positive return on investment, estimated at $1.88–$3.92 for every dollar spent.[4]

History of the Program

Johnson & Johnson has a 125-year history of commitment to health, from manufacturing of sterile dressings in the 1880s to its current product mix ranging from consumer care to surgical devices and pharmaceuticals. This orientation can be traced to the company's "promise of health care": "The best systems put the needs of individuals first, offer access to health care coverage, and provide support to help people remain healthy, get early diagnoses, and receive quality care when needed."

Even before the company went public in 1943, Robert Wood Johnson, one of three brothers that founded it, committed to "The Credo," which serves as the company's moral compass and governs its actions. The Credo is a commitment to serve the needs of healthcare providers across the globe (doctors, nurses, mothers, fathers, patients) and reflects the responsibility to treat company employees in an ethical and respectful manner and to support employee health and safety.

As times changed, employee health needs evolved as well. The company's focus shifted from prevention of *infectious* disease to prevention of *chronic* disease. This shift can be traced back more than 30 years when the chief executive officer at the time, James Burke, recognized an alarming trend in employee healthcare costs. Believing that "prevention is key," he set two goals: Give employees information about their health risks (empowering them to reduce the risks over which they have control by providing them with behavior modification programs) and reduce the company's cost of health care by implementing the services and programs efficiently.

And so, in 1979, the "Live for Life" initiative was born. Respecting the personal nature of many of the interventions, the company made participation in the program voluntary. In some ways, though, this voluntary participation has proven to be a limitation on studies because of selection bias. For example, it is not known if people who are healthier are more or less likely to participate in these studies. However, past studies have tried to develop more–scientifically valid ways to select participants so as to gather the most-accurate data possible.[2]

In addition to investing millions of dollars over many years in program implementation and improvement, Johnson & Johnson also invested large sums of money to evaluate program outcomes across multiple dimensions that included health risks and financial returns. The first set of studies, conducted in the 1980s, found that the program was associated with improved employee health, reduced inpatient healthcare spending, and decreased employee absenteeism. It also led to better employee attitudes.[4] As a result, "Live for Life" was implemented at all Johnson & Johnson companies with the expectation that the initiative would produce positive results for the entire company and its employees.

Evaluation of the program continued into the 1990s when studies focused on employees' health risks and patterns of medical care use during 1990–1999. Once again, these studies found that the program resulted in notable health improvements among employees as well as corporate cost-savings.[2] The increase in managed health care during the same period also may have been a factor. In other words, the corporate savings of that time may have been the result of both health promotion and access to managed care.[2] Johnson & Johnson continued promoting cost reduction by offering, in 1995, an employee benefit plan with a $500 credit toward the annual medical premium for workers who participated in health screening and followed up with targeted health improvement programs. This plan motivated very high rates of participation in both programs.[4]

Today, every employee involved in the company health and wellness program has access to a team of health professionals who promote and support a healthy lifestyle. The program includes offerings related to improving physical activity (such as on-site fitness centers, reimbursement for exercise expenditures, a pedometer program, and seasonal fitness challenges), guidance on nutrition (offering healthy cafeteria choices and online weight-management tools, and subsidizing Weight Watchers' membership), lifestyle management, and computerized coaching programs (health coaching for blood pressure management, tobacco cessation, and blood lipid control), and chronic disease management.

In addition, Johnson & Johnson routinely analyzes aggregate health assessment data to identify health risk trends among employees. Such health risk assessments are survey tools that ask individuals about their health habits and risk factors. These tools are often accompanied by biometric screenings of height and weight, blood pressure, and cholesterol values. The company then develops, implements, and evaluates customized programs to address employees' health risks.

Independent Evaluation Indicates Success

An independent study evaluating the program's results from 1979 through 1983 revealed that hospitalization costs at Johnson & Johnson locations where the program was implemented were only one third of those compared to other company locations. In addition, absenteeism rates were 18% lower, and improvement in weight, blood pressure, cholesterol, and smoking contributed to an estimated 3%–5% reduction in overall healthcare costs. Since then, wellness and prevention programs at Johnson & Johnson have evolved to include incentives to increase participation globally across the company. Shortly after introducing the $500 financial incentive, participation rates in the program reached roughly 90%, up from 26% under the "Live for Life" program.[4] Participation rates have remained between 80% and 85% ever since.

The 2011 Henke study provided more valuable data supporting the positive effect of the wellness programs implemented by Johnson & Johnson. The study found that Johnson & Johnson's annual average increase in medical and drug costs was 1%, well below the 4.8% average increase in costs estimated from the 16 comparison companies. The program also showed a savings of $565 per employee annually. With an average annual program cost ranging from $144 to $300 per person, the return on investment for Johnson & Johnson's program ranged from $1.18 to $3.92 saved for every dollar spent.[2] Another study,[5] published in the *Journal of Occupational and Environmental Medicine*, found that Johnson & Johnson employees who maintain a healthy weight have average annual medical costs of $285 per year, compared to those who gain weight and are at risk for obesity who have average annual medical costs of $1267.

How the Program Works

Johnson & Johnson employees are invited to complete a health risk assessment online. Those employees shown to have risks of concern receive a phone call from a health advisor who works with them to provide customized solutions. These solutions may include exercising at the on-site gym or working with an online "virtual" coach to set smaller incremental fitness goals at home. It may mean joining Weight Watchers® at work, selecting healthy eating choices from the cafeteria's "Eat Complete™" program, or receiving one-on-one coaching from a diabetes educator.

Workplace injuries are treated holistically, including sessions with the on-site fitness professional and "relaxation sessions" with an Employee Assistance Program counselor. Employees learn about managing their energy (in addition to their time) and pursuing short-term goals that include healthful practices. Company policies also work to create an overall healthy corporate environment. For example, the company has a global policy (one of several health and wellness policies in place) that makes all campuses and their grounds tobacco-free. (Johnson & Johnson has 10.6% fewer employees who use tobacco than other large companies.[4])

The percentage of employees who exhibit key risk factors has declined significantly between 1995–1999 and 2007–2010, including reductions in the percentage of employees who are sedentary (from 39% to 20.8%); use tobacco (12% to 3.8%); and have high blood pressure (14% to 6.1%); or high cholesterol (19% to 5.7%). In addition, from 2006 to 2010, those employees at "low risk" (defined as 0–2 risk factors) increased from 78.1% to 87.0%; those at moderate risk (3–4 risk factors) fell from 20.5% to 12.1%, and those at high risk (≥5 risk factors) fell from 1.4% to 0.9%. Each of the 2007–2010 figures is well below the average for the U.S. population.

The company also embraced a holistic approach, integrating employee assistance programs. Resulting data were gathered, de-identified, combined, and reviewed from various sources (e.g., claims, disability, workers compensation) to assess program outcomes. A 2002 independent review of the company's U.S. programs showed continued reductions in medical care expenditure for employees, of approximately $224.66 per employee per year.

Focus on the Individual and the Power of Corporate Culture

While program success drives further program enhancements and expansion, at the heart of this success is what it means for the individuals. By being empowered to take charge of their lives and improve their health, the employees are overcoming obstacles that have blocked them from achieving their personal goals. Moreover, in a 2009 Landmark Study conducted by Johnson & Johnson's Wellness and Prevention, Inc., employees who felt their employers had a strong culture of health were three times more likely to take positive action related to their health. Surprisingly, employees said that having an employer who was committed to employee well-being was as critical as having opportunities for advancement and *more important* than the company's competitiveness with regard to pay and benefits.[6]

Conclusion

By improving the health of employees and reducing company financial burdens, corporate wellness programs offer an innovative method to challenge the high cost of health care. Even with the growing evidence of corporate savings, it is important to determine the key factors that drive program success. Johnson & Johnson's program is comprehensive, features individual risk reduction, the support of its corporate culture, and a high participation rate, based on the company's benefit plan that links an employee's medical insurance premium to program participation.

This case study of Johnson & Johnson's wellness program motivates further research on the impact of organizational structure, employee support systems, and corporate policy prescriptions to create an environment to promote employee health. Moreover, the effect of this system on corporate finance and national spending more generally might prove to be a powerful tool in challenging the high cost of health care.

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