Look at preventive medicine as a way to reduce health care costs

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A LOOK AT PREVENTIVE MEDICINE AS A WAY
TO REDUCE HEALTH CARE COSTS

by

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WITH THE INCREASED NUMBER OF PEOPLE OVER THE AGE OF 65 AND WITH HEALTH CARE COSTS RISING, THERE IS A GREAT NEED TO PROVIDE QUALITY CARE AND CONTAIN COSTS. HEALTH CARE PROVIDERS HAVE MADE AN ATTEMPT TO REDUCE MEDICAL COSTS WITHOUT COMPROMISING HEALTH CARE. HEALTH MAINTENANCE ORGANIZATIONS ARE A RELATIVELY NEW CONCEPT DESIGNED TO MEET THIS CHALLENGE. HOWEVER, THE PROBLEM WITH HEALTH MAINTENANCE ORGANIZATIONS (HMOs) IS THAT HEALTH CARE COSTS CAN BE REDUCED, BUT IT MAY BE AT THE PHYSICIAN'S EXPENSE. FROM THE PHYSICIAN'S PERSPECTIVE, HMOs ARE NOT ATTRACTIVE BECAUSE THEY ARE PAID A FIXED SALARY TO SEE PATIENTS FOR UNLIMITED VISITS. THE SOLUTION TO THIS PROBLEM IS TO KEEP PATIENTS HEALTHY WHICH WILL IN TURN DECREASE THE NUMBER OF OFFICE VISITS. PHYSICIAN'S PROFITS WILL INCREASE AS THE NUMBER OF PATIENTS SEEN DECREASES, THUS MAKING THE HMO PLAN ATTRACTIVE.

POSSIBLE ALTERNATIVES TO MARKETING AN HMO WERE TO DO NOTHING, PUT MORE EMPHASIS ON PUBLIC AWARENESS THROUGH PREVENTIVE MEDICINE, AND TO IMPLEMENT EMPLOYEE INCENTIVE PROGRAMS. UNFORTUNATELY THESE IDEAS ALL HAVE SHORTCOMINGS. THE PROPOSED SOLUTION TO THIS PROBLEM IS THE INTRODUCTION OF A WELLNESS PROGRAM. A WELLNESS PROGRAM WAS SELECTED BECAUSE
it is the most effective way that medical costs can be reduced both in the short and long run. By successfully marketing a wellness program to physicians and corporations, health care costs will be reduced without lowering the standard of patient care. This paper introduces the three important areas of designing a wellness program:

1. Health risk assessment
2. Preventative medicine
3. Components of the program

HMOs need to sell physicians on the fact that wellness programs are the key to a profitable health care plan. If HMOs can show that employees can stay healthier through preventative medicine, then there will be a greater incentive for physician and corporate participation in this plan.
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CHAPTER I
INTRODUCTION

With the baby boom generation growing older, health care costs are soaring higher than ever. Because this group makes up a large segment of our population these costs will continue to grow unless changes are made to reduce these expenditures. For years health professionals have focused on treating diseases which can be very costly. This case study looked at ways in which health care providers are attempting to reduce medical costs. Because corporations subsidize employees' insurance costs, health care costs represent a major portion of a corporation's expenses; therefore, ultimately reducing profits. These expenses not only include direct medical cost, but also indirect costs such as low productivity, and an increase in days off work. By working with health care providers to lower these expenses, companies will not only be able to realize a significant savings in medical cost, but will also see an increase in productivity.

Background Information

Managed health care has gone through significant changes particularly during the last two decades. Among these innovative changes are Health Maintenance Organizations
(HMOs). In 1973 Congress passed the HMO Act, which provided federal funding to HMOs. One of the primary objectives of the legislation was to reduce medical costs by shifting as much medical care as possible from an inpatient to an outpatient basis. The number of HMOs has grown significantly. Table 1 is a brief outline of the HMO concept.

Table 1
Individual Practice Association (IPA)

- Individual physicians and other providers are contracted by the HMO to provide care for patients enrolled in that HMO.
- A predetermined fee per patient is established.
- The facilities are the physicians' not the HMO(s).
- Patients are both HMO and Fee Per Patient.
- Contract with chain and/or independent pharmacies.

Source: Stefano, 1988, 5.

The number of HMOs has increased from 236 plans in 1980 up to 700 in 1987. In 1975, there were about 5 million participants in an HMO; in 1987 there were 28 million participants, and this number was expected to increase to 800 HMOs by 1990, servicing 55 million patients. Table 2 shows how HMOs have dramatically increased over the past eight
years. The reason there has been such rapid growth among HMOs is because they claim to reduce the cost of health care to the employer. The rationale behind HMOs is to lower overall costs of medical treatment. Furthermore, HMOs try to reduce the number of physician visits and diagnostic tests allowed. The key to this approach is to keep people healthy.

Table 2
HMO Enrollment is Booming

<table>
<thead>
<tr>
<th>Year</th>
<th>Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>11,600,000</td>
</tr>
<tr>
<td>1984</td>
<td>16,700,000</td>
</tr>
<tr>
<td>1986</td>
<td>25,800,000</td>
</tr>
<tr>
<td>1988</td>
<td>31,400,000</td>
</tr>
</tbody>
</table>

Source: Stefano, 1989, p. 22.

Along with the significant increase in HMOs, there has also been a large number of HMOs that have gone out of business. For example, if an HMO brings in $100,000 in one year and medical costs exceed this fixed income, then there will be a net loss. As a result, if these losses continue each year, eventually the HMO will go out of business.

Statement of the Problem

HMOs face a number of challenging problems which they must contend with to stay in business. Because HMOs work on a capitation plan, there is extreme pressure to reduce costs
and not exceed the fixed income that the HMO brings in and there is the challenge of providing quality care without exceeding the set income. At the same time, the HMO has to be a profitable proposition for the physician.

The problem that exists under the HMO concept is getting physicians and corporations to accept the program. There are several reasons why HMOs are difficult to market to physicians. Most physicians view HMOs as a burden because participation could potentially be a losing proposition. Once a physician enrols with an HMO, they are required to fulfill their obligation until the contract expires. Physicians do not want to commit themselves to the HMO because if they are losing money, they want an easy way out.

Conversely, if a patient is healthy and their medical costs do not exceed the monthly fixed cost, then the physician makes a profit. Therefore, physicians are paid to keep patients healthy and out of their office. The drawback to this health care plan is that it works on a system of capitation. The HMO brings in a fixed amount of dollars, and if the patient population incurs health problems that exceed the group's income, the HMO becomes vulnerable to bankruptcy. Unlike a private practice, there is no incentive for physicians to put forth an effort to see more patients. The physician gets paid the same regardless of whether he sees ten patients or twenty patients.
Another drawback is that the success of HMOs is dependent on the patient population. Healthy patients could also be a burden to the physician if they make routine visits for minor, unnecessary treatment. Patients may feel that since they are paying a monthly fee, they are going to get their money's worth by using the plan.

Patients are required to choose from only those physicians who have signed with the HMO. One of the goals with any health care plan is to provide quality care to the patient. An HMO may not be able to offer the best care to their patients. For example, if there are specialists in the group, such as a surgeon who does not have a very good reputation, the primary care physician is limited to referring to this surgeon. By not having the flexibility of sending a patient to a more skilled surgeon outside the group, the primary care physician may compromise the quality of care.

HMOs are providers of health insurance to major corporations. Patients are encouraged to participate in an HMO because it is less expensive than insurance premiums. Employees of companies sign up on a health plan under an HMO. The program works like a membership plan where each employee pays a fixed monthly fee for the services rendered by physicians in the community. This fixed rate is paid regardless of the number of visits the patient makes to the physician. Therefore, employers are encouraged to promote
preventative medicine to its employees. Medical costs will decrease in proportion to the decrease in visits, thus increasing the potential for HMO profits.
CHAPTER II
HEALTH RISK ASSESSMENT

Statistics reveal a definite need to change the lifestyles of corporate America. Looking at Table 3, mortality rates which are caused by heart disease are the highest in the United States. Table 4 gives a breakdown of the leading causes of death in the United States.

The program will look at the three major causes of death which are: heart disease, cancer and strokes. Not only are these conditions deadly, they are also conditions that can be chronically debilitating. Costs to treat these conditions are exorbitant and are responsible for our increasing health care costs. Last year cardiovascular disease costs were more than $78 billion. Heart disease alone contributed to $13 billion in lost productivity (Rosenstein, 1987, p. 58). Cancer, the second leading cause of death, accounted for $10.8 billion (Rosenstein, 1987, p. 58) in health care costs. Total costs for lost productivity were estimated at $26.5 billion (Rosenstein, 1987, p. 58). The major cause of cancer is linked to smoking, and high fat diets, which are related to colorectal cancer and breast cancer. Despite x-rays to detect lung cancer, little has been done to deter this disease. However, sigmoidoscopy and mammography have helped
improve survival rates of colon and breast cancer. With new advances in detecting cancer, deaths have continued to rise each year. Experts (Rosenstein, 1987, p. 58) believe that 60% of the deaths due to cancer could be avoided.

Table 3
Mortality Rates from Atherosclerosis and Degenerative Heart Disease from Certain Selected Countries

<table>
<thead>
<tr>
<th>Mortality Rate/100,000 Population</th>
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<tbody>
<tr>
<td>United States</td>
</tr>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>Canada</td>
</tr>
<tr>
<td>Switzerland</td>
</tr>
<tr>
<td>South Africa</td>
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<tr>
<td>Cuba</td>
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<tr>
<td>Japan</td>
</tr>
<tr>
<td>Ceylon</td>
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<tr>
<td>Philippines</td>
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Source: Hockey, R. V. (1981, pg. 15.)

Smoking

Smoking is a major avoidable contributor to heart diseases, cancer and strokes. The Surgeon General reports that smokers are 50% more likely to need medical care and
have a 70% greater chance of morbidity than non-smokers. Smoking costs the economy $930 billion dollars over the past twenty years (Rosenstein, 1987, p. 58). Lost working days due to smoking cost corporations $38 billion dollars (Surgeon General Report, 1979). Smoke related diseases alone cost the health care industry $95 billion (Surgeon General Report, 1979).

Coronary Heart Disease

Coronary heart disease will increase in direct proportion to the amount a person smokes. In fact, heart attacks are three times more likely to occur in smokers who consume more than one pack a day compared to non-smokers (Rosenstein 1987, p. 58).

Table 4

Leading Causes of Death in the United States

<table>
<thead>
<tr>
<th>Cause</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Cardiovascular Diseases</td>
<td>54%</td>
</tr>
<tr>
<td>Heart Attacks</td>
<td>34%</td>
</tr>
<tr>
<td>Stroke</td>
<td>11%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
</tr>
<tr>
<td>Hypertensive Diseases</td>
<td>3%</td>
</tr>
<tr>
<td>Other Causes</td>
<td>23%</td>
</tr>
<tr>
<td>Cancer</td>
<td>17%</td>
</tr>
<tr>
<td>Accidents</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: Falls, H. B., (1980, p. 46.)
The occurrence of heart disease increases with smoking, however, it is interesting to note that non-smokers had a higher mortality rate (Rosenstein, 1987, p. 65). This increase could be due to other factors that contribute to heart disease that were not mentioned, and the increase of secondary smoke that is inhaled.

Obesity

Obesity is another major cause of cardiovascular disease, diabetes and cancer. It is estimated that our country is 60% overweight and another 25% is obese. The main culprit is the American diet which has excess salt, sugar, fat and is low in fiber. Thirty billion dollars (Rosenstein, 1987, p. 65) are spent each day to help fight this problem or to cure a disease associated with it. There is a link between a diet which is high in fat and coronary heart disease.

Stress

Stress is probably the most difficult factor for which to determine an effect on disease. Studies reveal medical disorders including heart disease, hypertension, arrhythmias, ulcers and pulmonary diseases are contributed to by stress (Rosenstein 1987, p. 62). A large portion of physician time with patients is spent diagnosing stress-related diseases (Rosenstein 1987, p. 65).

Through health risk assessment, employees can find out if they are at risk for one of the three leading causes of
death; heart disease, cancer and strokes. In order to
decrease medical costs, employees need to be aware of the
risk factors associated with these diseases.

As seen from the statistics presented, the United States
has a very high mortality rate caused by diseases that can be
prevented. Therefore, there are many ways to reduce medical
costs through active participation in a wellness program.
According to this data this country is at high risk for
certain preventable diseases, which means there is an
opportunity for significant health improvements. If this
country had few risk factors the potential benefits of a
wellness program would be reduced. The factors that
contribute to the leading causes of death represent a major
portion of this country's medical costs. By reducing these
health risks and promoting preventive medicine, both
physicians and corporations can significantly lower health
care costs.

Because of this country's high medical costs, HMOs have
a difficult time promoting themselves to corporations. The
challenge is to convince corporations that their medical
costs will be reduced as a result of a wellness program.
Being that it is a new concept, the wellness approach in
theory is an effective program. However, there is little
data showing success rates and reductions in medical costs.

In order to be successful in implementing an HMO, all
parties involved must be compensated appropriately. A major drawback to most HMOs is that not all parties are profitable. For example, if employees are seeing their physicians more often than need be, physicians will lose money. Conversely, the employer is decreasing their medical costs by paying a fixed cost for unlimited physician visits. Employees will benefit from unlimited visits by also paying a fixed cost. After analyzing the failures of HMOs, there was an interest in finding a workable solution to marketing HMOs to physicians and corporations. Wellness programs became an area of interest because they had potential for being a tool to make HMOs more attractive to its customers.

Purpose

In order for an HMO to sell itself to physicians and corporations, a plan is needed that will keep patients healthy and make the HMO profitable for the participating physician group. The purpose of this paper was to analyze the problems associated with how HMOs market themselves to their target market, physicians and corporations.

After identifying alternative solutions, a final resolution was made that would best meet the needs of the HMO. This paper focuses specifically on preventive medicine and its effects on the health care industry. A marketing plan has been developed to address the problems and to come
up with solutions to successfully sell an HMO health care plan.
CHAPTER III
POSSIBLE SOLUTIONS

Do Nothing

The first possible solution to successfully attracting physicians and corporations to an HMO is do nothing. If a physician does not have a practice as large as they would like, there is an incentive to sign up with an HMO, if it is making a profit and the physicians enrolled are making a fair profit. Peer pressure gets other physicians involved because not only is there more money to be made, but those who do not get in would lose money if a majority of patients would be involved with the HMO, leading to a limited amount of business to those physicians outside the program. However, physicians without a large enough practice might be those who are not the most reputable or qualified. This could compromise the quality of patient care.

As mentioned earlier, HMOs can be very susceptible to bankruptcy which could make this proposition very risky. The biggest drawback is that this solution does not address the main problem which is keeping patients healthy. There is no emphasis on prevention of disease. Physicians would be allocating the majority of their time treating illnesses instead of preventing them. This will lead to more time
seeing patients which will lower the average amount of dollars made on each call.

Most HMOs believe that they engage in promoting preventive medicine. However, they have not been able to prove that annual physicals will reduce medical costs. Physicians not only need to evaluate and assess risk factors, they also need to educate patients on how to prevent diseases. Without thorough follow up, this plan inevitably will fail.

Before participating in an HMO program, corporations need to be assured that they will be able to reduce medical costs. The current HMO structure fails to meet this concern. As time goes on, the corporations who are participating in an HMO begin to increase their medical costs. Ultimately these rising costs lead to alternative medical insurance plans.

It would be very difficult to market this plan because of its limitations. A corporation at first may be attracted to this proposal because there are very low expenses that will be incurred. However, when looking at this concept in the long run, there are some shortcomings. Without constant reinforcement, it would be very difficult to keep employees motivated to prevent diseases. Patients would also have limited, if any resources, to use in preventing their risk factors.
Public Awareness

More public awareness on preventive medicine could also be a potential solution to increasing the interest in HMOs. Governmental programs through the American Medical Association would create more awareness of prevention of common diseases. This information could be distributed through the medical community where health professionals can discuss patient problems. However, the problem with this idea is that it is not specific enough for the patient. Those who are at risk of a disease need a carefully tailored plan designed showing them exactly how to reduce their risk factors.

It would be difficult to market this plan because again physicians are increasing their time educating these patients. In the short run there may be good results, but unless there is daily reinforcement, employees will most likely go back to old habits. Corporations would favor this idea because there are no expenses needed on their part. However, there will be hidden costs with high increasing medical bills for the treatment of diseases. There is also no evaluation of a patient's progress so it will be difficult to evaluate the impact made by this idea.

Incentive Programs

Some corporations have used incentive programs as a way to reduce risk factors in their employees. For example, an employee who smokes would get a monetary award maybe $10 a
week for every week they quit smoking. The same incentive is done for reducing weight, cholesterol and blood pressure. If employees only motivation for reducing a risk factor is money, the program may work. Unfortunately, this type of incentive may fail in the long run. Patients have to want to make changes in their lifestyle. If there is no desire to change, then it will be very unlikely that the program will work.

Physicians probably would not buy into this idea because patient motivation to make lifestyle changes are for the wrong reason. The patient has to believe and understand the value of making these changes, otherwise their efforts are doomed for failure.

Corporations may see this plan as a good tax write off. Patients have a chance to increase their benefits by staying healthy and would welcome this incentive program. On the other hand, the corporation may not be sold on this program because it has not been proven as an effective way to reduce medical expenses. Furthermore, it would be very difficult to determine whether or not employees have truly quit smoking. This plan also does not offer any assistance in educating employees to identify and reduce risk factors.

Wellness Program

After identifying the shortcomings of these possible resolutions, a viable solution to meeting the needs of the customer can be developed. A feasible solution to these
problems is to keep patients healthy. The way to keep patients healthy is to focus on preventive medicine rather than the treatment of diseases. In order for an HMO to achieve success, an active role must be taken to educate patients. Rather than informing patients why they need to quit smoking or lose weight, there needs to be a step by step plan to show how one can live a healthier lifestyle. The cost of starting a wellness program is high. HMOs need to show the value of this program and the cost benefit to its customer. Corporations need to be convinced that a wellness program will reduce medical costs, increase productivity and morale, and decrease lost work days.

Preventive medicine is an appealing idea that is able to meet the needs of the physician and the corporation. The concept of a wellness program is designed to treat patients in a way that will identify and to help them prevent diseases. A wellness program can decrease a corporation's medical costs and increase productivity. Physicians will see this as a profitable plan as well. Their time seeing patients will decrease, thus increasing their income per patient. Constant reinforcement of patients' preventive medicine prescription plan on a daily basis will help ensure long term success. Wellness programs may be a very effective tool in lowering health care costs.
CHAPTER IV

FINAL RESOLUTION

As stated earlier, a key to marketing an HMO to physicians and corporations is preventive medicine. The proposed resolution offers a health care plan that is very attractive to the customer. Wellness programs are the most feasible solution among the alternatives mentioned. This program will best meet the needs of both physicians and corporations, which is to increase profits. The marketing efforts of the wellness program are designed to work closely in meeting the participants' objectives. The HMO will set up the protocol by evaluating patients and assessing their risk factors. This is followed up by an individualized prescription wellness plan. Routine enforcement will also assist the patient in maintaining morale. As a result, patients will become healthier and will need to see their physicians less often. Corporations will be able to lower their medical costs by keeping their organization healthy as well as increase productivity. Therefore, the key to an HMOs success in marketing a wellness program is to show the participants how they will benefit. The layout of the program showing these benefits will be discussed in greater detail.
The HMO wellness concept offers unique advantages over existing HMOs. Currently, the philosophy behind HMOs is that by participating in this plan, corporations will decrease medical costs and physicians can make greater profits. However, these participants soon learn that this plan is very dependent on the makeup of the employee's health status. Patient education and guidance is the missing link in the present system. The proposed new HMO marketing concept ensures success by educating employees and assisting them in reducing health risk factors.

Patients need to be carefully evaluated with physical exam workups in order to identify problem areas. This is done to help assess the needs of the corporation, so the wellness program can be designed to meet these objectives. Once the physician and the patient are aware of their risk factors, a personal plan can be designed. The concept behind this wellness program does exactly that. Patients are set up on highly individualized programs to guide them in meeting their goals. Following the start up of the program, periodic evaluations are done to ensure success. This program does not guarantee success and a decrease in medical costs. If patients are not willing to actively participate, then it could fail. However, the way this program has been designed will limit the failure rate as opposed to the alternative solutions.
In order to decrease the drop out rate, and for convenience, an onsite facility needs to be developed. Start up costs will be high initially, but will decrease as time goes on. There is a need to have an onsite facility because the program and equipment selection is critical to the success of the program. The design of the facility has to be tailored to the goals of the program. For example, if an employee needs to decrease body fat, there must be a program available to meet this objective. With an onsite facility, the wellness message is a corporate goal that can constantly be reinforced each day. Once data has been analyzed, physicians will see that improvements in risk factors will decrease office visits.

Another addition would be to offer a deductible plan to encourage preventive medicine. For preventive medicine charges would be covered at full price and a deductible would be paid for treatment of diseases. This would eliminate the problem of burdening the physician with unnecessary visits. In addition, a patient's deductible would be based on an employee's health risk. As the employee's health status improves, the deductible will decrease.

Offering this wellness program to make HMOs attractive to physicians is the best alternative. The main attraction of the wellness program is profitability for physicians and reduction in medical costs for corporations. It has been proven that exercise alone can reduce medical costs by up to
45% and absenteeisms by 31% (Rosenstein, 1987, p. 65). To determine these reductions with a corporation is very difficult. Based on the number of employees, age and risk factors, an estimate of potential cost savings can be made. These savings would be made in reductions in medical costs, such as surgery, physician office visits and prescription drug costs. Furthermore, employee productivity will increase and the rate of absenteeisms will decrease. A more accurate evaluation can be done by comparing the first 3-5 years with a wellness program to the same time period prior to this program. It is estimated that the greater the age and the health risk factors, the greater the potential for improvement. Corporations who have a poor health assessment can make a greater impact on profitability than a company with fewer health risk factors.

Program Evaluations

When marketing a wellness program to corporations and physicians, an evaluation must be done first to show a cost benefit and a return on investment. There are several components that are involved with the investment of the program. A decision must be made on how much funding needs to be budgeted. Depending on the funds available, start up cost will include proper equipment and facilities to accommodate the participants. Yearly costs will include staffing, seminars and yearly events. When looking at accounting principles, the equipment can be depreciated over
a certain period. After averaging these costs over the years, a comparison can be made with the reduction in medical bills covered by the company. Initially one would expect the program to operate at a loss. In the long run, health care costs should decrease and the company should see a profit. The gains that must be realized through this program are reduced medical expenses, improved employee productivity, lower absenteeism and lower disability retirement. Furthermore, by promoting a company's health, greater success can be achieved.

The following outline shows an evaluation process for a wellness program:

I. Evaluation Protocol

The evaluation protocol divides the program into four parts of health management and preventive medicine.

   Medical examinations
   Screening for risk factors
   Physical fitness program
   Employee service and morale programs.

An evaluation of each part is necessary for a minimum of five to ten years. Because of the high start-up costs, the positive impact of the program will not be realized immediately.

II. Estimating potential savings from screen for risk factors.
Preliminary employee evaluation along with ongoing physical testing has the potential of saving money by early detection of diseases. By detecting early signs of a chronic disease a personalized program can be tailored to meet an employee's needs. Early intervention is the key to reducing the chance of a chronic medical problem.

By looking at a company's risk profile by screening employees, an estimation of annual costs of chronic diseases can be figured. With this information, physicians can see how the average annual impact of costs to the company in terms of extra medical care spending compare to high risk patients and to those evaluated as low risk. The results of these figures can then be used in the final cost-benefit analysis.

The medical examination is done to test and identify risk factors. This is a necessary part of the program which is needed to set up an individual's fitness program. After the initial testing is done, individualized fitness programs can be set up. The actual physical fitness program is the key to reducing medical costs. If employees follow their fitness prescription, health costs will decrease. Initially morale will be high, employees will be self-motivated to improve their health. However, it would be expected to see a decline in morale. That is why this program
offers employee services and incentive programs to minimize dropout rates.

III. Utilization Review

A utilization study of actual direct medical care spending can be done. The study would identify those employees who are spending larger than average medical costs. This would be an area for potential savings for a company. The exception is for patients with chronic non-preventable diseases in which medical costs could not be reduced.

A. Other Factors

Companies will begin to face a long run future of an increasing aging work force and higher retirement age. If our work force is growing older, it is imperative to maintain health at an earlier age as a preventive measure for later in life. The employees who are devoted to living a more productive lifestyle will contribute to the reduction of medical costs. This is what corporations need to evaluate when considering the cost benefit issue.

B. Family

Not only is the employee a main concern to the HMO, but so are family members. Non-employee family members can be a very big cause in high health care costs. Therefore, the employee and corporation must stress the importance of family participation in the wellness program.
Facility Costs

In order to accurately assess the value of an in-house exercise facility, one would have to look at the cost benefit impact in the long run. Initially this program would be a benefit for current employees and could also be used to attract potential employees to an organization. An alternative to an in-house facility would be to give employees an allowance to join a local fitness facility. The problem with exercise at an outside facility is that it would be difficult to control the activities and to determine if they would be beneficial in reducing risk factors. Again, the value of a membership is viewed as an employee benefit and as a means of reducing medical costs.

Potential Savings

Calculations of potential cost savings could be used to measure the benefits of the program. The largest expense that is incurred with a wellness program is the start-up costs. If an in-house exercise facility is desired, one must look at the cost of building a facility, equipment, and initial physical testing. In addition, included in the cost of the program are the annual operating expenses. If an outside facility is to be used, start-up costs will be very low, and annual operating expenses which include membership fees and physical testing must be calculated. By looking at the costs for the program and comparing the potential net
benefit to the operating expense, an approximate return on investment can be calculated. Since an immediate return on investment cannot be measured, it would be expected to see a benefit some time in the future (3 years). Because every company will show progress at different rates, it is difficult to judge when a return on investment will become evident.

There are a number of variables that are involved in estimating when a benefit will occur. Therefore, the time for payoff is highly individualized for each company. The variables which will affect the period of the payoff are: the size of the company, the number of employees who are rated as high risk, and the size and length of time of participation. Analytical data on pay back period was difficult to obtain due to limited information that was published. Start up costs were also difficult to assess because each corporation will have different budgets allocated for a wellness program. The following is a cost estimate of operating a facility along with potential cost savings:

Estimated costs for the wellness program include start up costs and operational costs. Start up costs would include space or renovation costs, equipment costs and miscellaneous costs. Operational costs included are salaries and benefits for program staff, supplies and services, prizes and incentives, and other costs that will vary with employee
participation. The following represent a rough estimate on costs:

**Start Up Costs**

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Space for facility</td>
<td>$25,000</td>
</tr>
<tr>
<td>Equipment costs</td>
<td>$70,000</td>
</tr>
<tr>
<td>Planning costs</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

**TOTAL START UP COSTS** $100,000

**Operational Costs**

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of staff</td>
<td>4</td>
</tr>
<tr>
<td>Total Salary</td>
<td>$80,000</td>
</tr>
<tr>
<td>Supplies and Services</td>
<td>$20,000</td>
</tr>
<tr>
<td>Prizes and Incentives</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

**TOTAL OPERATIONAL COSTS** $105,000

Average medical and insurance costs per employee were estimated at $1,000. Employees with elevated health risks will on the average have medical costs 50% higher than employees not at risk. The way this data could be analyzed would be to look at and compare the average health care costs of all employees who are at risk and the average health care costs of all employees who are not at risk. If the healthy employee maintains a regular exercise program, health care costs could be reduced by approximately 10%. Five years would be the time table to realize the full impact of change in the health status. The following table shows the average savings in medical cost per year with high risk patients:
Participating employees 500
Average salary $25,000
Average sick days 4
% at health risk 40%

Medical Costs
Medical cost per employee at risk $500
Medical costs per employee not at risk $200

An estimated savings for a company using the above numbers: 200 patients would be at risk for disease. By improving their health status to low risk, there would be a $60,000 savings in medical costs. In addition if the average sick days were reduced from 4 to 1 day per year, the company would save $62,500. This number was obtained by taking 200 patients and calculating the total difference in sick days and then multiplying by the daily salary. The total cost savings would be $122,500 savings per year. Next the gross savings was subtracted from the costs $110,000 to get net savings (start up costs were averaged over 5 years). There would be a difference of $12,500 realized in savings. This is an approximate estimate that did not take into consideration non risk employees maintaining their health status.

From the physician's perspective, costs will not be an issue. What physicians are concerned about is how the HMO uses the facility to decrease medical costs. If the costs that a corporation incurs to set up a wellness program make
patients healthier, physicians will accept the idea. Physicians will spend less time seeing patients, thus making the plan profitable. All of the costs that are involved will be incurred by the corporations. Physicians will need to determine the tradeoff between operating in an independent practice as opposed to an HMO. In a private practice, a physician will have expenses for running his practice. In an HMO, there are no expenses the physicians are contracted with the HMO. Therefore, the HMO has to offer a package that will compensate the physician more than if they were to run their own practice. Also, as mentioned earlier, one must look at the number of patients that are seen in a day. With an HMO, the physician works on a fixed income unlike a private practice. The fewer the patients that are seen, the greater the physician's income. Corporations who invest in wellness programs are much more attractive because the goal is to prevent diseases rather than treat them.

Summary

A cost-benefit analysis can provide information that will identify costs associated with chronic diseases due to smoking, elevated cholesterol levels, hypertension, obesity and poor physical condition. Successful steps in reducing these risk factors especially in the high risk patient could save a company a significant amount of money. It is important to stress that reducing risk factors is the only way to reduce the incidence of chronic diseases, which will in turn reduce medical care spending.
As mentioned earlier, another measure that can evaluate the success of the program will be company performance. A company should be able to see improved absenteeism, reduction in sick leave costs, improved employee productivity and morale. Again, this will take a period of approximately 2-3 years before a savings will become evident.

Marketing

The marketing process that will be used to market this plan involves three activities:

1. Defining the corporate goal
2. Identifying the target markets
3. Company business plan

The corporate goal is to introduce a new concept in HMOs. This HMO will focus on offering a service that will assist corporations in reducing medical costs, increase morale and productivity, and decrease absenteeisms. For the physicians, it will be an opportunity to increase their income potential.

Customer groups in which the HMO will be promoted are physician groups such as clinics who have diversified specialties. For example, family practice, internal medicine and surgery. Corporations that will be targeted will be Fortune 500 companies or those with 500 employees or more. The targeted geographic area will be the Midwest, since this population has greater risk factors than other areas. This population will give a good sample representation to measure success. In order to develop this market, corporations will
need to be sold on this concept. The program will be sold on the fact that companies need to be cost conscious in order to survive in today's business world. Employees need to perform at peak levels each day of the week. The advantage of joining this HMO is that corporations will be more profitable along with improving the quality of their personnel.

The company business plan in the short run is to attract firms who are currently enrolled with an HMO. This will be the same strategy for marketing the plan to physicians. This target group will be the easiest to sell since they are already familiar with how HMOs work. Therefore, the strategy is to sell the wellness program as a new and improved HMO designed to change employees' lifestyles which will ultimately reduce medical costs and increase physician profits. In addition, there will be promotional messages and information resources which will be visible throughout the company. This message will create high energy and a more productive atmosphere throughout the organization.

Wellness programs are also a selling point in hiring prospective employees. It shows that the firm cares about its employees and is willing to invest the time and money to make them happy and successful.

This HMO can guarantee to physicians and corporations that the plan will be profitable only if one condition is met. Those employees involved in the program have to be willing to make the sacrifices needed to change their
lifestyle. Time will only tell if medical costs are being reduced. This program has been designed in a way to minimize the failure rates. Once the program is implemented, the HMO works very closely with the organization. The wellness theme needs to be communicated throughout the organization. This will be accomplished through a corporate newsletter as well as working with the wellness staff to assist employees.

In the long run, the plan is to increase business through market penetration. This HMO would try to attract physicians and corporations to participate in this wellness program. Testimonials are one of the most effective ways of marketing a product. By gathering data from current members of the HMO, potential customers can determine the success of the program.

If physicians are satisfied with their salaries, the word will spread to their colleagues. Some physicians may be forced to join. If the majority of corporations are enrolled, then fewer patients will be available for those left with a private practice. Competition in the industry will be mainly HMOs. Once the wellness concept gains exposure, there will be new competitors to contend with. That is why this plan is intended to be the most innovative in the industry. By the time the competition discovers this idea, most of the major corporations will already be enrolled. Furthermore when a corporation commits to the HMO, it will be very difficult to lose the account mainly because
of the time and money invested. In addition, when other HMOs start to adapt to a more aggressive wellness program, hopefully unhappy customers will have already discontinued their participation in that plan. As long as this HMO is doing an effective job in servicing each corporation and medical costs decrease, there will be no reason to change HMOs. Customer service will be the most critical factor in maintaining a customer base and expanding into new markets.
CHAPTER V
WELLNESS PROGRAM OUTLINE

The wellness program would consist of four basic parts:
1. Screening for risk factors for chronic diseases: elevated cholesterol, hypertension, obesity, cancer examination.
2. Physical fitness program.
4. Annual testing.

This information is vital for judging the results of this program. A very detailed log must be maintained to compile data on the progress of the employees.

If successful, a wellness program can produce the following types of payoffs for a company:
- Improved productivity
- Improved employee morale
- Reduction in chronic diseases
- Reduction in medical spending
- Reduced early disability retirement
- Reduced absenteeism

I. Initial Testing and Data Requirements

The following is necessary data that needs to be collected at a minimum of an annual basis.

35
A. Employee data
   1. Age
   2. Sex
   3. Race

B. A measure of morale
   1. Absence
   2. Sick days
   3. Late days
   4. Medical claims

C. Reducing risk factors for chronic disease:
   1. Age
   2. Smoking
   3. Weight
   4. Blood pressure
   5. Cholesterol

D. Medical care spending
   1. Medical claims paid
      a. Employee exams
      b. Family exams

E. Early disability retirement
   1. Years employed
   2. Reason
   3. Age
   4. Diagnosis-reason for disability

F. Non-exercise and intervention
   1. Wellness educational programs.
a. Smoking cessation
b. Nutrition
c. Weight control

G. Use of exercise facility
1. Type of physical activity
2. Number of times per week
3. Duration - intensity

H. Use of exercise at an outside facility
1. Type of activity
2. Number of times per week

II. Program Evaluation

This program evaluates the health status of each employee. Once the health risks have been identified, patients can be consulted on what they need to do to improve their health status. The following is an overview of what is offered in the wellness program.

1. Screening and risk factor reduction.

It would be expected that employee participation in risk factor screening and a number of payoffs would be realized. It would be reasonable to anticipate the following benefits of the program:

- Less absenteeism
- Less sick leave
- Lower workmens compensation spending
- Improved productivity
These should correlate with reduction in measured risk factors and proper use of the physical facility and exercise. The above benefits of the program should be seen in the short run (up to three-five years). In the long run (greater than five years) it would be expected to see:
- Reduced medical care spending for chronic diseases
- Reduce early disability retirement

2. The physical fitness program

The objective of the physical fitness program is to design a facility to meet the goals that are set to reduce health care costs.

After an employee has gone through testing and risk factors have been identified, then an individualized program can be tailored to meet their needs. Since most chronic diseases are associated with cardiovascular problems, a facility will need equipment to reduce these risk factors. The main benefits that have been shown from regular exercise are an increase in HDL which helps reduce coronary heart disease, weight reduction, and improves the quality of life. By collecting data and comparing users to non-users of the facility, a benefit of the facility can be measured. Conversely, a workout facility or a health club
membership is still considered a benefit, whether or not it contributes to health, lowers risk factors and reduces medical spending.

It may be of value to design a questionnaire for employees to find out their exercising habits prior to starting the program. Data that would be useful includes:

- Number of times a week an employee works out
- Design of the exercise program
- How long has the employee been a consistent participant?

In the long run, data can be collected to find out if there is a direct correlation between non-users and users of the physical facility. After a five to ten year period, it should also be possible to check the outcomes in terms of all the risk factors noted earlier between the two groups. The longer the evaluation continues, the greater the data will be available on mortality.

3. Employee Alcohol and Drug Abuse

This part of the program concerns a very serious issue that can make up a large portion of a company's health care costs. The problem with alcohol and drug abuse is that it may be very hard to detect. Many employees do not want to admit that they have a problem, therefore, they may not
voluntarily come forth to get help. This may be an embarrassing situation where the employee may want this problem to be confidential. By referring the patient to an outside program, perhaps an employee may be more open to getting assistance. Screening data and follow-ups should be done to measure how a reduction in this problem will lower medical costs, improve morale, and decrease absenteeism.

4. Annual Physical Testing

Physical testing will make up the major portion of a wellness program's expense. A physical examination should be done on an annual basis. It may also be beneficial to perform a biannual exam on high risk patients or those who are 40 or older. The physical testing not only identifies the employees at high risk, but it is also the basis for collecting data to evaluate the program. The main question to ask when doing a cost benefit analysis is to test in house or contract with an outside organization. Not only is cost a consideration, but also accuracy in testing. If data collected is inaccurate, it could make a significant difference in the outcome of the program.
5. Risk factor evaluation.

Below are variables that would be tested for each participant.

1. Height
2. Weight
3. Systolic blood pressure
4. Diastolic blood pressure
5. Percent body fat
6. Treadmill time
7. Hemoglobin
8. Fasting blood sugar
9. Cholesterol
10. Triglycerides
11. LDL cholesterol
12. Smoking rate
13. Alcohol consumption

Once the data has been collected, it can then be compiled into meaningful results. Statistical analysis can be used to evaluate the health of a company. By taking the variables and finding the mean, a comparison can be made to other companies of this size. One would expect higher than normal health care costs with companies that test out above the norm. On the other hand, if the risk factor evaluation falls below normal, medical costs should be below normal. Comparing a company's risk factors to other firms is only one way to evaluate a firm's health status.

The data collected also serves as a measurement for progress. This data is essential in measuring individual as well as company progress. The importance of this information will help identify the cost to
benefit effects of the program. Collection of data would be individualized, based on risk factors. Initial examinations would be the basis to compare future data. Each year a measurement can be made to see what percentage change there was in the health risk factors.

Based on the risk factors, company's objectives and personal goals, a physical fitness program can be designed. Speaking in general terms, exercise helps reduce the risk of heart disease, to what extent has not been determined. Heart attack survivors may be helped by exercise along with medication, diet and weight loss. Physical fitness in itself can help improve the quality of life in a number of ways. By collecting data from users compared to non-users, an evaluation of the benefits of a facility can be made. With a number of organizations involved with programs a substantial amount of data should be available to see what impact a workout facility makes.

In order to realize the cost benefit from a physical fitness facility, it must be designed to reduce risk factors. Before the facility is designed, a company has to decide how much they are willing to spend. Most health management programs will incur a bulk of their cost in the beginning unless a decision has been made to offer yearly reimbursement for outside fitness programs. A program that involves high start up
costs will lower the cost benefit ratio for the first few years. Physical exam costs will depend on an employee's age, risk factors and life style. Obviously, the higher these numbers are the greater the person is at risk, thus requiring more frequent testing.

6. Equipment Selection

The main emphasis for selecting equipment is based around cardiovascular fitness. The design of the program should also include variety. Exercising can be very monotonous and if an employee is not able to change their routine, their motivation may falter. Fitness programs that are designed to be enjoyable and change the mode of activity, may prevent one from dropping out of the program. Studies reveal the minimum amount of time needed to achieve a cardiovascular benefit is 20 minutes 3 days per week (Ward 1977:8). Depending on the individual's interests, a program can be selected to best meet their needs. In addition, the facility can be used to develop the total body along with rehabilitating injuries.

Fitness Program Outline

After a facility has been set up, it is necessary to staff the program with trained professionals. The responsibilities of the staff are to initiate employee testing. Along with testing it is important to properly train the employees to prevent injury, and to educate on
how to use the equipment properly. Below is a sequence for implementation of a fitness program.

I. First time in facility
   A. Measurement and goals
   B. Percent body fat determination
   C. Cardiovascular testing (heart rate, blood pressure, cholesterol, LDL, HDL)
   D. Explain workout program
   E. Moderate exercise program
   F. Record time, heart rate, recovery period
   G. Cool down; 5 minutes running, bike, treadmill, running
   H. Shower and spa

Progress Logs

Daily logs are maintained by the employees enrolled in the program. At the end of the month, logs would be collected to measure progress.

The following data collected throughout the month would be collected:

A. Days attended
B. Weight
C. Average resting heart weight
D. Monthly total distance
E. Intensity
F. Treadmill testing
Components of the Program

The health management program includes ten services to help improve health:

1. Weight management
2. Group exercise classes
3. Blood pressure management
4. Smoking cessation
5. Stress management
6. Nutrition
7. Cholesterol management
8. Alcohol and drug awareness
9. Fitness center management
10. Health events

**Weight Management**

The weight management program would be staffed by nutritionists and psychologists. The goal of the program is to educate employees on nutritional eating. The program promotes a sensible and healthy way for people to lose and manage their weight. Participants will learn about goal setting, good nutrition, controlling emotional eating, and dining out without gaining weight. Weight management sessions would be held in house by the staff. An alternative program may include an outside weight-loss program such as Weight Watchers. Participants would be reimbursed from the company as they meet their goal. The in house program must be well designed and credible in order for employees to
achieve their goals. Identifying individuals for the weight loss center is the key. There will be no benefit to the employer if the employees who need to make dietary changes do not participate. The audience that should be targeted are those that are overweight. Obesity contributes to many health problems such as heart disease, diabetes and strokes. In addition, a poor diet can lead to a lower productivity level. Overweight employees and the diseases associated with this problem make up a large portion of a company's health care costs. Once the employees commit to participation in the program, emphasis must be put on the benefits of weight loss.

Group Exercise Class

A convenient on site group exercise class would be available for the employees. The classes would be individualized based on intensity (low, medium or high impact) to meet one's needs. The format would be based on components of a basic exercise session: Warm up, aerobics, working the upper body, torso and legs and a cool down. A staff member leads the group and dictates where the emphasis will be placed. Such factors as intensity, duration and frequency of movement are considered to achieve a physical change. The goal of the exercise class is to tone muscle groups and increase cardiovascular efficiency. The class is designed for all employees who meet physical testing standards. Those who have underlying diseases such as high
risk patients with coronary artery disease may need specified workout prescriptions that would be designed and supervised by medical personnel. Each class would be run by professional trainers who are qualified to deliver a high quality program. Furthermore, scheduling, sign-up materials, and promotional materials would be used to encourage employee participation.

Blood Pressure Management

This course is specifically for those who need to control such factors as diet and exercise and hypertension. Blood pressure management is designed for those who have been diagnosed with high blood pressure. It offers individual guidance to help in keeping blood pressure under control. This program would be designed based on recommendations set by the American Heart Association. Trained and certified instructors are needed to teach classes for these employees. In addition to close supervision would be a blood pressure control manual, promotional and educational literature. The return on investment of this of course is maximized by targeting those individuals who are diagnosed or are at great risk for high blood pressure.

Smoking Cessation

The smoking cessation course is a segment of the wellness program that is vital to cutting costs. Smoking is the contributing factor to many diseases that cost companies millions of dollars each year. While smoking cessation is
critical to a health program, it is also the most difficult to keep under control. An on site classroom program would offer classes taught by trained professionals. Materials furnished would include a manual along with a smoking diary. To assist in the implementation of the course are posters, and descriptive literature for participants. This program would be designed by experts on smoking cessation, making the course highly credible. Candidates would include all employees who smoke, especially those who have underlying diseases. In order for the program to be successful employees are going to have to quit smoking.

Stress Management

The stress management program is probably the most enjoyable part of the wellness clinic. The course identifies the cause of stress and teaches relaxation skills, time management and other stress management techniques. There are many courses designed by experts on stress management that a company may select from. The material that is chosen would be presented on site by a professional who is trained and certified in this field. Staff members can point out causes and teach stress management which can reduce employee distractions and absences related to stress, thus increasing productivity. Participants would follow a stress management package which includes manuals, audio tapes and diaries.
Nutrition

In this segment the focus is on altering eating habits. This course is geared more toward promoting healthy eating habits and does not necessarily include weight loss. Employees who are under stress work long hours and as a result often neglect healthy eating habits. Improper nutrition can lead to decreases in productivity, loss of concentration and a high fat diet which may cause weight gain.

This plan offers better nutrition without employees having to compromise on taste. A common pitfall of nutritious eating is that people perceive healthy food as being bland. The plan would be a realistic everyday meal plan that people can enjoy. Employees would be educated on how to select foods and read labels to gain a better understanding of food content. Furthermore, the plan would include how to eat healthier at restaurants. Nutritionists or registered dietitians would educate the employees on how to change their eating lifestyle.

Cholesterol Clinic

This course concentrates on the issue of lowering cholesterol levels through diet and exercise. It covers such areas as meal preparation, food shopping and building a diet game plan. This segment looks at a specific individual which are those with elevated cholesterol levels. Cholesterol values are set by the American Heart Association, which
indicate a risk factor according to the level. Patients assess their cholesterol levels by determining their risk for coronary heart disease.

Risk levels are classified as low, moderate and high. The recommended goal is to achieve a level of below 200. A substantial amount of evidence has now shown that a reduction in cholesterol reduces the risk of heart disease. Employees at risk can be easily screened through periodic blood tests. Once these individuals have been identified, aggressive lifestyle changes need to be made to lower their risk.

Two factors that are the main culprits to this disease are diet and heredity. If an employee has a high family incidence of heart disease, there is little that can be done to change their risk. However, if one has a diet that is high in saturated fats, changes can be made to reduce cholesterol levels. A high fat diet is a problem in the United States. The first step in reducing cholesterol is diet modification. By implementing a diet that is comprised of low saturated fats along with exercise reductions in cholesterol will be evident. If diet and exercise alone are not adequate, then medication is often added to this regimen. Trained professionals would help educate participants properly on eating for a healthy heart.
Table 5
Comparison Between the Amount and Type of Fat in the Diet of Four Countries and the Death Rates Due to Cardiovascular Heart Disease

<table>
<thead>
<tr>
<th>Percent of Total Fat in Diet</th>
<th>Deaths Per 100,000 From Cardiovascular Diseases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>9%</td>
</tr>
<tr>
<td>Italy</td>
<td>70</td>
</tr>
<tr>
<td>Sweden</td>
<td>22%</td>
</tr>
<tr>
<td>USA</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>39%</td>
</tr>
<tr>
<td></td>
<td>400</td>
</tr>
<tr>
<td></td>
<td>41%</td>
</tr>
<tr>
<td></td>
<td>900</td>
</tr>
</tbody>
</table>

Source: Cant, 1977, 28.
Alcohol and Drug Awareness

This program would be designed for managers and supervisors. It helps them develop an awareness of drug and alcohol usage in the workplace and of the behavioral traits of employees who may be using them. This program also trains managers to assist employees who may need help in dealing with a substance abuse problem. This program is probably the most difficult one in terms of identifying and dealing with an employee who has a problem. Most employees will not admit they have a problem even when they are confronted by management so, therefore, substance abuse may be hard to detect. The only way one can detect this is either by drug testing, or for the employee to admit it.

Dealing with this problem can create a very sensitive situation, especially if you suspect one of your colleagues or your superiors as having an abuse problem. The program must be set up by trained professionals who can teach managers to assist employees who may need help in dealing with a substance abuse problem. Since this program must be very confidential for those involved, an alternative may be to have a referral system set up outside of work. The real focus is to help managers look at their employee's productivity and develop ways to get around barriers that are created by drug and alcohol abuse. Participation would include background information and exercises to provide
managers and supervisors with practical tools to help them manage problems more effectively.

Health and Fitness Center

The fitness facility is designed to create a lively environment and to encourage employees to participate in an exercise program. The facility promotes corporate fitness to meet the needs of all participants. A complete staff will manage the program to ensure proper use of equipment along with designing and instructing workouts to meet employee needs. The areas covered are health assessments, management information, wellness programming, and health promotions.

The health programs that would be available are proven to guarantee results. Customized fitness and wellness programming is geared to meet the company's goals for overall well being for the employees. A fitness center operations manual would be available which would include policies, procedures and guidelines for safe, efficient operation.

Health Seminars

This program is made up of educational services for health and fitness and includes seminars, demonstrations, lectures and workshops.

The premise of the health seminars is to promote corporate health. Ongoing seminars throughout the year will promote a healthier work environment. Those employees who are involved in a fitness program may use the seminars as a tool for positive reinforcement. For those who have not
enrolled in the program, this is an opportunity to educate and assess one's physical makeup. In addition, these activities create awareness and interest. Employees can see how important fitness is and how enjoyment through exercising may be fulfilled.

Program Implementation

The initial implementation of a wellness program involves the majority of the costs involved. Start-up costs will vary greatly depending on several factors involved. Wellness program consultants can aid in making decisions when setting up a facility. Once a budget is set for the facility, the selection process can begin.

1. Project goals and objectives - A detailed and concise report is needed to build a facility that will accommodate the program's goals. For example, the goal is to build a facility that will reduce health care costs. Therefore, the facility should have equipment and specific programs available to help employees lower or eliminate health risks that cause diseases.

2. Setting up a staff - Selection of the staff would include highly trained and motivated individuals who are capable of running a successful wellness program. This is very important in the success of this program. It is their responsibility to motivate and encourage employee participation.
3. Time Frame - Parameters will be needed to set time deadlines for program completion. A facility on an average would take approximately six months to complete. Once the facility is set up, staff training will start which would take about one month. Next, employee testing will be done. Two months will most likely be needed to test and compile the data on employees'. A three month time frame will be implemented to set up employee programs and familiarize them with the equipment. This will be the approximate time frame to kick off the program.

4. Budget - Management will have to decide how much money will be allocated to the facility. Costs include:
   - Hiring of staff
   - Physical facility expansion
   - Equipment selection
   - Testing costs
CHAPTER VI
CONCLUSION

The purpose of this report is to introduce a wellness program through an HMO which is designed to reduce health care costs. The important message stressed is that all health care providers want to provide quality care and reduce medical costs. The challenge lies with this HMO to develop, market and distribute this concept by showing an actual benefit.

Corporations are seeking ways to reduce health care costs without compromising employee benefits. The success of the program will be dependent on the corporation and willingness of physicians. Employees must be educated so they understand the objectives of the program and how their role will contribute to lower medical costs. The bottom line is that they both have a common goal.

With the information presented in this report the HMO must:

1. Identify the major corporations within the area they serve.

2. Assess their present corporate health status. This would be done through physical exams which would identify each employee's health risks.
3. Look at budget requirements to decide whether or not to build a physical facility or offer outside programs.
4. Provide incentive programs to help keep morale high.
5. Follow up with yearly exams on employees with health risks and compare to initial testing.

If the data collected over a period of time (5-10 years) shows a significant decline in medical costs, the program is a success, beyond the company's goal to provide this service as a benefit for employees. Thus far, with the limited data available wellness programs have been shown to be a benefit to the employers and the employees. Not only is there cost savings in health care, there is also increased employee productivity, morale and decreased absenteeism.

Furthermore, the medical community would show a much greater interest in working with this HMO wellness program. Physicians would have healthier clients which would mean fewer office visits and reduced costs for testing. This is an attractive incentive for physicians to join the HMO with health conscious employees.
BIBLIOGRAPHY


