

The Costs of Diminished Employee Health

The High Cost to Business of Chronic Disease and Mental Illness

Among U.S. workers, the most prevalent chronic conditions are dyslipidemia (29%), hypertension (20%), migraine (15%), arthritis (13%), hay fever (9%), diabetes (8%), and depression (7%)³⁸. The most common medical reasons for absence from work are partially a function of disease prevalence: employers will typically experience 1422 and 1334 days of absence per 1000 workers per year because of arthritis and hypertension respectively, compared to 400 for diabetes, for example³⁸.

Despite being largely preventable, chronic disease and mental health issues exact a heavy physical, psychological, financial, and social toll on those affected. The high prevalence of these conditions also means they have a significant and growing impact on business performance – both in terms of inflating costs, and by diminishing productivity. In this section, we reviewed the business costs of diminished employee health.

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Benefit Plans

Benefit Plan Costs: US – In 2015 the average annual health premiums were \$6,251 for single coverage and \$17,545 for family coverage, with employees contributing 17% of the premiums for single plans and 28% for family plans³⁹. While the growths in premium costs have been moderating, they are still growing faster than the Consumer Price Index (CPI)⁴⁰.



Benefit Plan Costs: Canada – Benefit costs in Canada are lower, given the



publicly funded health care system. But total annual cost of providing benefits for full-time employees is still high - equivalent to 10% of gross annual payroll. This 10% is broken down as follows; legally required payments (CPP/QPP, EI Workers Compensation etc) 5%, extended health care 2%, absence (sick days, STD, LTD) 1.5%, and dental plans 1%⁴¹. These cost estimates do not include the employee-paid portions of the benefit. Overall benefit rates have grown by about 10% per year, despite a recent moderation of drug costs⁴¹.

Productivity Costs – Productivity is impacted by both absenteeism (how often the employee is not at work because of health issues) and presenteeism (how will often and to what degree an employee is at work, but whose productivity is compromised for health reasons).

Generally speaking, employees will be absent for more serious and acute conditions. More commonly though, an employee's health condition is not debilitating enough to be kept away from work, but it still hampers their productivity. This is often the case among employees with chronic disease and mental illness.

The Costs of Absenteeism – In Canada, it is estimated that the direct costs of



absenteeism is equivalent to 2.4% of the total national payroll⁴², or approximately \$1600 per employee per year.

The average worker is absent 9-10 days per year⁴². The U.S. Department of Labor estimates an absence rate due to illness of 1.9%⁴³. Workers with more than one chronic condition are absent twice as often as those

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with one condition, and three times as often for those who have no chronic conditions³⁸.

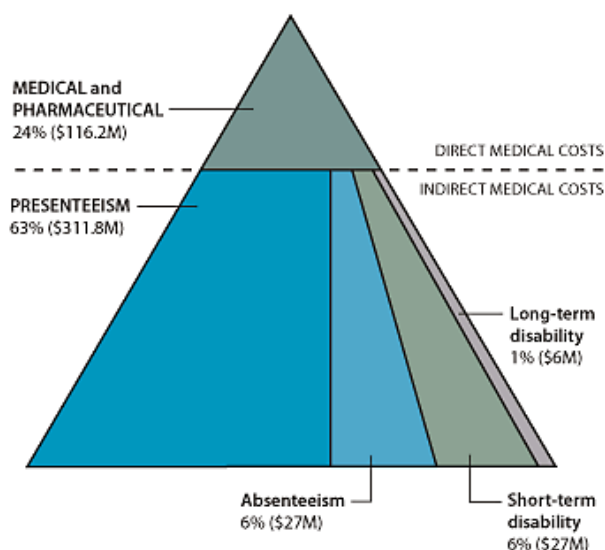
The Costs of Presenteeism – The business impact of presenteeism can be significant, and often exceed those of absenteeism^{2,44,45}.



For example, using objective measures, U.S.-based Bank One found presenteeism to account for 63% of the total health-related costs related to employee illness⁴⁶, followed by medical & pharmaceutical (24%), and absenteeism and short-term disability (6% each). In a similar study conducted in 2002, Dow Chemical found that 7% of their annual health care costs were attributable to absenteeism, 23% to direct health care, and 70% to presenteeism⁴⁷.

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However, measuring presenteeism can be difficult, in part because productivity is often hard to quantify. Thankfully, research shows that self-reported employee assessments of presenteeism compare well to objective measures, and thus can be used to assess changes in presenteeism⁴⁵.



Source: Bank One

Figures are based on annual data for 2000. Workers' compensation accounted for less than 1% of indirect medical costs.

Productivity and Mental Illness – Approximately 17% of U.S. workers and 12% of



the Canadian adult population suffers from an anxiety disorder^{38,48}. The prevalence of depression among working age adults in the US is 8%⁴⁹. At any one time, 4% of Canadian workers are depressed⁵⁰.

Approximately 80% of people with depression report some level of functional impairment, and 27% report serious difficulties and work and home life⁴⁹. Within a 3-month period, depressed workers miss an average of 4.8 workdays and suffer an additional 11.5 days of reduced productivity⁴⁹. Lockheed Martin estimated the prevalence of depression among its employees to be 13.9%, resulting in a productivity loss of 7.6%, or \$3420 per depressed employee⁴⁵.

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