IncentFit

Taking a Two-Part Approach to Wellness

Applying an 80/20 lens to optimize your corporate wellness program

Acme Corp wants to get into wellness.

"We want to save on our healthcare costs, and make our employees happy," they agreed, "so let's invest in a wellness program."

The HR team did some quick research, picks a vendor, and rolls out a single cohesive program for the entire company.

A year later, they review the data to see that their health insurance spend hasn't decreased and participation in the program is low.

Where did they go wrong?

Two approaches to employee wellness

In this whitepaper, we'll cover the differences between disease management and lifestyle wellness approaches, and explore how companies can optimize their programs using the 80/20 principle.

When employers invest in wellness, they typically have three goals: saving on healthcare costs, improving employee engagement, and impacting recruitment and retention.

And to achieve those goals, wellness programs and their approaches fall into two categories: **lifestyle wellness** and **disease management.**

Lifestyle Wellness

Lifestyle wellness focuses on reducing health risks and preventing the development of chronic conditions through healthy lifestyle and behavior change. Think exercise, nutrition, sleep, stress management—this approach is all about getting the *most* amount of people to *regularly* make

healthy choices, and the offerings are vast.

Often, these programs are tied to financial incentives or other rewards and perks designed to encourage ongoing participation. Most corporate health and wellness products fit into the lifestyle category.

Disease Management

The other piece of the puzzle: **disease management programs**. These are less common and only affect a small number of employees (by design), but they're still vital to improving employee health.

These structured treatment plans help people manage their chronic conditions and aim to maintain and improve quality of life.

A central goal is to avoid complications and help chronic conditions from getting worse.

How these programs function, which employees they are for, and how they achieve ROI, is fundamentally different. They're also best used together, especially for larger companies.

We'll explain...but first, what is the 80/20 rule?

For more information on the types of corporate wellness products available, download our report: *The Definitive Corporate Wellness Product Landscape*

Making sense of the 80/20 rule

Most things in life aren't distributed evenly. Rewards. Effort. Outcomes. Resources.

Try as we might to make sense of how society or the world at large works, there's a persistent phenomenon at play where a small group affects a large group, and vice versa.

The 80/20 rule *(also known as the Pareto principle)* says that, for many scenarios, roughly 80% of the effects come from 20% of the causes. This split can show up in all sorts of interesting ways:

- *20% of the bugs cause 80% of the crashes*
- *80% of revenue comes from 20% of customers*
- *20% of the workers produce 80% of the results*
- *20% of patients create 80% of healthcare costs*
- *80% of the results come from 20% of the contributions*

And so on...

It's interesting to see how the principle can apply to different contexts—though it is important to note this is one simplified way of looking at typical distributions and not an absolute rule.

It's also easier to see this pattern in larger groups (such as with large companies) rather than tiny ones.

That said, for business leaders or HR managers, applying this rule can help you identify where the majority of your time, money or energy is best spent. For example, it can help you prioritize the few products that will lead to bigger profits, or deprioritize tasks that are your biggest time-wasters.

Within corporate wellness, we can use this 80/20 split to think about our employees and how best to engage different groups within the company.

History of the 80/20 rule

Vilfredo Pareto was an Italian engineer and political scientist. In his research and observations, Pareto noted that 80% of the land in Italy was owned by just 20% of the population.

His observation that a small percentage of any population will account for the majority of the observed results became known as the *Pareto Principle*, or the 80/20 rule.

While originally just about wealth distribution, thanks to its popularization in the 1950s by another engineer—**Dr. Joseph Juran**—this theory became shorthand for a statistical principle to explain that most things in life are not distributed evenly.

Applying 80/20 to your wellness strategy

As we've said, employers typically have three goals when it comes to wellness: saving on healthcare costs, improving employee engagement, and impacting recruitment and retention.

The 80/20 rule shows us that we need to focus on different populations to achieve all of those goals.

In the example of Acme Corp, the company's goal was to reduce their healthcare costs.

To do this, they implemented a lifestyle wellness program for all 20,000 employees. Everyone will exercise and get healthier, they reasoned, and then healthcare spending will go down...right?

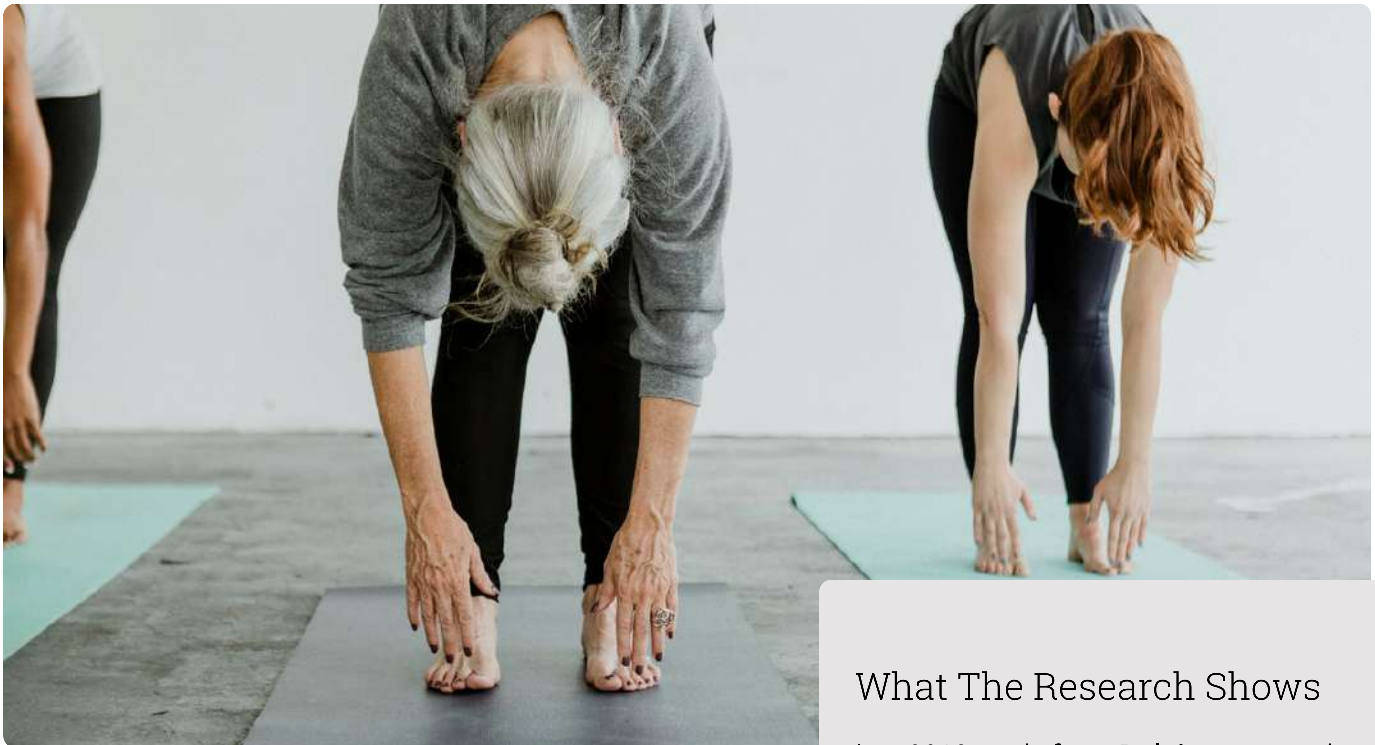
Not quite.

The company made two fatal flaws when introducing a wellness benefit: **they didn't research what was driving their costs, and they tried to implement a single program to suit all their employees.**

If they'd looked at their healthcare spending overall, they would have seen that, while they were covering a variety of typical claims, the primary drivers of their high costs were from a small percentage of their employee population.

Roughly 20% of their employees accounted for 80% of their spending. If they'd done more research into their claims data, they would have also seen that the costs were being driven by those with chronic conditions and illnesses.

If the goal is to reduce healthcare spending, it makes sense to introduce interventions focused



on improving the health of the most expensive individuals.

So to make progress on their goals, Acme Corp should have first implemented a targeted disease management program specifically for those employees; those programs are intended specifically to impact.

By design, disease management programs can only help the employees who are eligible and enrolled. That's usually only a small portion of your entire company.

But what about the rest of your team? That's where lifestyle programs come in.

What The Research Shows

In a 2018 study from **Deloitte**, researchers anted to see if the 80/20 assumption was true for population health.

And it was! They found that of all healthcare claims in commercially insured populations, 85% of dollars were spent on 20% of the population; and conversely, the remaining 15% of the dollars were spent on 80% of the population.

Furthermore, that distribution was **remarkably consistent** over the three years of study.

"The concentration of healthcare spending appears to be extremely concentrated at the top in commercially-insured cohorts. A very few individuals consume a disproportionate amount of health care dollars," they concluded.

"It's important for stakeholders [including employers and vendors] to understand the predictors and drivers of high spending in order to focus valuable resources on [people] with impactable health needs."

Bottom line, they wrote, health management should "**focus on the top 20% while not forgetting the rest of the population.**" How we achieve that is by investing in both a disease management program and in lifestyle wellness benefits.

Engaging the other 80%

Lifestyle wellness programs are how you keep the entire company engaged. By design, this approach is all about getting the most amount of people to regularly make healthy choices.

This approach to wellness is important for engagement, morale, and employee health... especially if you'd like to see everyone avoid getting sick or developing a chronic condition.

When run in tandem with a disease management program, this two-part approach means you're taking everyone's needs into account: the high-risk employees who need support for their chronic conditions, and the average employees who still need attention and support to live healthier lives.

In our example of Acme Corp, executives were on the right track when they decided to offer a wellness program; where they went wrong was failing to research and survey their employees, and trying to apply one program to meet all of their needs.

Large vs Small

Companies can't always take this dual approach. And in the case of smaller companies, they shouldn't.

Why? Implementing a disease management program is expensive! There are fixed costs to account for, as well as per-person pricing.

Small companies are also less likely to have enough employees to justify a disease management program.

In any given company of 20, only one or two people are likely to have a chronic disease, such as diabetes. Running an expensive program for two people doesn't make financial sense. But if you have 200 people eligible for the program, it becomes a more viable option.

This is why we tend to only see disease management in larger employers.

Lifestyle management programs are popular with all sizes due to their ease, cost, and favorability among employees. If budget constraints are an issue, a well-designed lifestyle management program will provide the best value for a relatively low cost.

The bottom line: you can't just run any old wellness program. For a wellness program to work, it's got to take all of your employees' needs into account and it's got to be tailored to your goals as a company.

And yes, that might mean that you invest in two types of programs, each targeting a different segment of your employee population.

Next steps

Since the 1950s, business leaders have used the 80/20 principle to make companies more efficient, more targeted, and more effective.

Applying it to corporate wellness helps us to understand how an entire employee population is split into two groups, and then how we can best impact those groups.

Further, this principle reminds us that trying to make a one-size-fits-all program will leave you with a one-size-fits-none outcome.

In short, we recommend that large employers invest in a disease management program to focus on the small but expensive populations (the 20%) living with chronic illness. And employers both large and small can use a lifestyle wellness program to engage and impact the majority of employees (the other 80%).

To accomplish this, we recommend a few tools.

First, survey your entire employee population. Learn about their interests, needs, and preferences when it comes to wellness, health, exercise, and self-care.

Are they already active, or do they need more encouragement? Are they struggling with weight management, or do they really need something to help with stress? Do you have a big group of distance runners who want something challenging?

The only way to effectively tailor a lifestyle program to your team is to listen to them.

Additionally, look at your healthcare claims data. Find out what chronic conditions need attention. Then work to implement a disease management program for the employees who need that level of support.

Recognize that you're targeting different groups with both of these programs—and that's by design.

Taking a multi-pronged approach means you're paying attention to all of your peoples' health and wellness needs.

Interested in surveying your company? We've got a free template to make that process easier.

Contact sales@incentfit.com for more information or to schedule a call with our benefits experts.

IncentFit is a health and wellness benefits company. Founded in 2013 as part of New York's BluePrint Health accelerator and headquartered in Philadelphia, IncentFit supports hundreds of employers and health insurance providers across diverse industries—from Fortune 500 firms to manufacturing powerhouses, to public universities and nonprofits.

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