

# AVERTING THE COLLISION BETWEEN RISING HEALTH CARE COSTS AND CORPORATE SURVIVAL

*Ken Blanchard and Dee Edington*

**T**he rising cost of health care in the United States is eroding profits at an accelerating pace and leading toward a disaster for businesses, shareholders, and employees. Unless something is done about this alarming trend, companies will have to close up shop or make the tough survival decision of no longer providing health care for their people. This could be one of the worst lose-lose situations in our country's economic history, since no company is going to compete on a global level without healthy and productive people. Given the economic crises facing them today, the top leaders of U.S. corporations certainly don't need an-

other challenge. But unless they deal with this issue in a timely and decisive way, their other problems may become moot points.

Why do we focus on top leaders? Because the solution to this problem needs to be a high-priority strategic initiative.

Corporate leaders need to add innovative, robust health and wellness strategies to the current sickness care strategies of their health plans. Despite the fact that corporations in this country have spent more money on health care than those of any other country, the costs

of our sickness-oriented health system continue to rise while the health and resultant productivity of the U.S. workforce declines. To reverse this trend, executives must acknowledge the interconnectedness between health care costs and people's vitality and productivity. This will require a change of thinking and then a change in behavior in most U.S. executive suites.

## The Grave Consequences of Doing Nothing

Most corporations, influenced by health care and benefit consultants, have followed a passive sickness-care strategy of hospital, doctor, and drug insurance coverage. Yet when it comes to the wellness side of the economic equation, they have adopted a "do nothing" strategy. They have focused all their resources on paying for rising costs related to doctors, hospitals, pharmaceuticals, and the loss of productivity—including time away from work (absenteeism, disability, and workers' compensation) and time loss while at work (presenteeism). How many more products or services do companies need to sell to pay for the continual rise in all these costs? How much longer can companies continue to shift the costs to their employees without serious repercussions? The current system is simply unsustainable.

## The Entitlement Mentality Drives Costs

Ignoring wellness strategies has had the serious side effect of creating an expectation in the employed population of entitlement to sickness care. This expectation is one of the major factors driving higher costs. The entitlement mentality is exhibited by people who don't worry about the consequences or costs of their poor health habits. They feel entitled to drugs and surgery to fix health problems: pharmaceutical solutions for the control of hypertension, surgery to repair a knee or correct a weight problem, and any number of other expensive procedures. Sickness care, pharmacy spending, and all the costs associated with lost productivity have become a runaway train of accelerating expenses. In addition, ignoring wellness strategies has led to work-

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places where policies and procedures are not aligned with the needs of healthy and productive people.

## Following the Path of Quality First

Turning a sickness-oriented health care system into a wellness system is a tall order. Can U.S. executives address such a wide-ranging problem? History suggests that with the proper focus, they can. For example, during the industrial boom of the mid-20th century, U.S. business had widespread problems with the quality of its products. These problems were due to a 50-year strategy of simply designing products, getting them to market, and then fixing any resulting defects. The cost of the products included the cost of fixing the defects. The ultimate solution was found in fixing the systems that led to the defects, and now many U.S. businesses compete successfully with the rest of the world on quality.

As a close analogy, one could look at most of the diseases arising from the U.S. work environment and the U.S. lifestyle as defects and effective wellness strategies as the solution to fixing the systems that lead to the defects. Now is the time for U.S. executives to balance the health care system by fixing not only the defects but also the systems that lead to the defects. We need to focus on keeping the healthy people healthy while still caring for the sick.

Of course, naysayers will argue that it is impossible to develop a completely effective health management

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## *Focus on keeping the healthy people healthy.*

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strategy, because not all diseases can be prevented. Nonetheless, it is generally accepted that 50 to 80 percent of the economic burden of health risks and disease faced by corporations are related to people's work environment and lifestyles. The business models of the current sickness-care system require corporations to spend most of their time and money "fixing the defects." While the current disease-oriented health system is not irrelevant, it is out of sync with corporate goals of high-level productivity. Zeroing in on disease alone obscures and diminishes what should be the primary targets: health, economics, and productivity, which together drive corporate value. We need to remove the medical solutions for disease from the center of health care in this country. Our premise:

*Healthy people and productive worksites  
lead to  
innovative products and services,  
which lead to  
increased corporate value.*

## **Health Management: A Blueprint for Countering the Do-Nothing Strategy**

The Health Management Research Center (HMRC) at the University of Michigan has devoted nearly 30 years to researching health risks and behaviors, as well as corporate and individual economic and vitality metrics. Based on data from 22 corporations representing more than two million lives, HMRC has determined

that impressive and sustainable health management success can be attained in a matter of only a few years if companies implement an effective overall strategy that adds health and wellness strategies to the existing sickness strategies. Called "total health management," this comprehensive strategy decreases sickness costs while increasing vitality and productivity.

The success of the total health management strategy is supported by five fundamental pillars:

- Strategic leadership focused on vision
- Operational leadership emphasizing implementation
- Self-leadership through increased involvement
- Quality assurance driven by measurement
- A supportive environment that accentuates the positive

### **Strategic Leadership: Top Management Must Drive the Change**

Because health—or lack of it—increasingly impacts U.S. corporate survival, the creation of a health management strategy must not be viewed as simply a human resource issue. Strategic leadership must start from the very top with a compelling vision of the healthy and productive company. The vision must be supported by the rationale for why this is important for the compa-

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ny's economic and global competitive advantage, and it must be openly shared with each and every employee. The vision must be aligned with the overall business objectives of the company and must have total buy-in from the whole leadership team, including union leadership.

While this step is important, the real challenge for the executive suite now begins. Too often in the past, top managers have emphasized only strategic leadership—providing vision and direction for the organization and declaring must-do initiatives or strategic imperatives that the organization needs to accomplish—without much concern for operational leadership, or what is known as *execution*. When it comes to a vital change like the one we are suggesting here, top managers often assume that announcing a change is the same as implementing it. They go to a delegating leadership style too early and then wonder why nothing significant changes. They don't seem to understand this basic truth:

*Effective organizational change  
comes more from managing the journey  
than announcing the destination.*

## Operational Leadership: Managing the Journey of Change

Managing change requires a one-two punch. The first punch—strategic leadership—is important, because vision and direction get things going. It deals with the “what” that needs to be changed. But the second

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punch—operational leadership—is what makes change happen.

Once the top leaders have created the vision of a culture of health and communicated it from the executive suite down through the management hierarchy to the frontline employees, operational leadership takes over. Operational leadership provides the “how” to implement the new health management strategy and engages the next level of management, including the human resources department. At this point, managers work together as they begin to realign policies, procedures, systems, and leader behaviors throughout the organization to realize the vision of a healthy work environment. They also create wellness-oriented partnerships with health plans, primary care physicians, benefit consultants, pharmaceutical companies, health enhancement companies, and community services, where appropriate. The key partners, however, are the employees and their families.

As the wellness-oriented health management system is implemented at the operational level, leaders need to remember that without constant support from the top, major change will never happen. Without ongoing follow-up at the operational level, the health management strategy will come to a screeching halt. Fundamental changes in organizational culture must be top management-driven in the beginning. However, each top manager's role as cheerleader, encourager, and accountability supporter must continue throughout the process. Only when the strategy is fully integrated into the way the organization does business can top leaders' direct involvement back off.

## Self-Leadership: Increasing People's Influence and Involvement

The best way to initiate, implement, and sustain change to a wellness-oriented health care system is to increase the level of influence and involvement of the people being asked to change. It's important to surface and resolve concerns along the way so that self-leadership can take hold.

The “top-down, minimal involvement” approach to managing change often amounts to an effort to sell

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## *The first concern people have is for information.*

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people on the benefits and impact of a change. And yet, as a U.S. Department of Education project originally conducted at the University of Texas suggests, impact concerns are only the fourth predictable and sequential concern that people who are faced with change express.

The first concern people have is for *information*. They don't want to know if the change is good or bad until they understand it. They want the business case explained to them—the rationale for the change, and why the status quo is no longer a viable option. Top managers must make their business case for developing a comprehensive health management system.

Once people understand what the proposed change is all about, their focus turns to *personal concerns*. They ask questions like: “How will the change affect me personally? What's in it for me to change? Will I have to learn new skills?” Here, expanding opportunities for involvement and influence are crucial, including giving people opportunities to share their concerns and getting them involved in envisioning the future with the change in place.

Once people feel that their personal concerns have been heard, they turn their attention to *implementation concerns*—how the change will really turn out. They want to know: “What will happen first, second, and third? How will the change be tested? Will the organization's structure and systems change?” People want to be involved in planning implementation strategies and any experiments or pilots with early adopters, to work out any kinks and learn more about the best way to implement the change with the larger organization.

It's not until the information, personal, and implementation concerns are dealt with that people become interested in *impact concerns*. How will the health management strategy impact the organization? This is when both managers and people throughout the organization assume leadership by becoming more knowledgeable consumers and placing a higher value on their own health, while moving away from the sickness-oriented entitlement mentality related to health care.

### **Quality Assurance: Measurement Is Necessary**

It's often been said that if you can't measure something, you can't manage it. To successfully manage the journey to a total health management system, leaders need to track observable, measurable results. Once they have measurements, leaders can wander around and catch people doing things right, praising progress and redirecting efforts that are off-base. When people resist the change, it's important to redirect their attention to the desired outcome and the consequences of not cooperating.

Data on both individual employees and the organization as a whole must be available to leaders. For years, HMRC has used Health Risk Appraisals (HRA) as a key measuring tool for any health management program. The HRA measures key health risk factors such as exercise, diet, sleep, and stress level. The resulting customized profile serves as feedback to the participant, and the group summary provides feedback to the leadership for data-driven decision making.

The HRA profile informs or confirms what lifestyle and environmental factors are or could be interfering with or enhancing a person's vitality. Most HRAs identify individual “high risks associated with future disease.” At the same time, the HMRC process identifies, with HRA data, the “prioritized health risks most associated with high cost” for the company within the next one to three years. Each participant is asked to contact a health advocate who acts as a coach and understands behaviors most associated with maintaining good health, defined as vitality and energy.

The role of health advocates is to help and encourage people to become their own self-leaders in the area of health. The health advocates don't necessarily solve problems, but they discuss the issues or triage to other health professionals, including primary care physicians. At the same time, health advocates help people own their own power and use two potent self-leadership words to manage their own health: "I need." Individuals use the health advocate to ensure that they have the resources, motivation, and beliefs necessary to remain low risk or to change some of their high-risk behaviors. Armed with HRA data, advocates fulfill an important link in helping to erase the entitlement mentality that individuals have held in the past. Health and vitality are up to the individual, with support from many resources.

The data on health risks and behaviors gives the program managers and top leadership information and knowledge about progress toward a culture of health and vitality. Two essential but simple measurements for an organization's scorecard are the percentage of the population that is engaged in the program and the percentage of the population at low risk.

Engagement in the program is determined by taking a Health Risk Appraisal, having a minimum of three contacts with a health advocate, and engaging in at least two other health management activities. Low risk is defined as the percentage of the total population with zero, one, or two of the individual high risks measured on the HRA. If a company's scorecard has an 85–95 percent engagement rate with 75–85 percent of the population in the low-risk category, HMRC projects that the company would have an economically attractive zero trend, especially in medical and pharmacy data but also in absenteeism (time away from work) and presenteeism (time loss while at work).

### **Creating a Supportive Environment: You Get What You Reinforce**

To facilitate a healthy, productive workforce and workplace, leaders need to create a supportive environment. This involves changing the culture—making adjustments in policies, procedures, benefits, and the physical and social environment. Job design and work flexibility

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are important considerations, as are flexible working hours, work-life programs, behavioral health and employee assistance programs, and programs that encourage the use of preventive services and remove barriers for those who need pharmaceutical or other health-enhancing products. A great example of a simple but highly visible change in creating a supportive culture comes from Crown Equipment in New Bremen, Ohio, where the implementation team, among other things, installed two sets of vending machines. In one of the machines all the items are healthy and free; in the other the items are standard and cost money.

Creating a supportive environment means offering visible programs in which all employees can participate, such as no-weight-gain programs, know-your-numbers programs (blood pressure, cholesterol, and so on), easily obtainable walking or pedometer programs, ease of access to health information programs, and a variety of other wellness programs. If feasible, a fitness facility, relaxation room, or medical facility could be available. The goal is to create winners, one small step at a time.

Another important aspect of creating a supportive environment is using incentives to drive participation, with the goal being 85–95 percent. The best incentives are those that cost little but have high perceived value. One such popular incentive is a major (\$600 or more) reduction in premium contribution: Under a program of complete transparency, employee contributions toward premiums are set at an artificially high contribution



level. To reduce the premium, participation in a set of activities is required. After completion of the activities, \$600 of the employee contribution is waived. An even more effective incentive is to offer health care benefits only to those who engage in the set of activities. Those who do not engage must pay for their own benefits.

## Toward a Healthier, More Productive Future

U.S.-style health care has not worked—and will not work—from an economic point of view. This country's worldwide ranking is very low in terms of health and clinical outcomes. By implementing the five pil-



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lars of total health management, U.S. businesses can transform into learning organizations that capture all the energy and productivity of their people. Not only will this improve the productivity, health, and vitality of people within the organization, it will also empower them to use their newfound energy to create healthier families and communities.

We wish we could give you good examples of corporations that have completed the journey and have real, sustainable results. We can't—yet. But we're hopeful.

For the United States to compete in the global economy, executives must understand and act on the connection between effective health management and corporate economic health. U.S. corporations will need visionary leaders to champion wellness-focused next-generation health management programs and integrate them into the core of their organizations.



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