Employee Finances and Your Bottom Line

Exploring the impact of employee financial concerns on their health and your bottom line

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it's time for a change
Welcome back from Staycation!
Economic stress

- RealtyTrac forecasts about 4 million foreclosure filings will be made in 2009 on about 3.1 million households with loans; one in every 398 households with loans got a foreclosure filing in May 2009.
- U.S. consumer bankruptcy filings reached 126,434 in July, the highest monthly total since the Bankruptcy Abuse Prevention and Consumer Protection Act was implemented in October 2005.
- U.S. unemployment rate in July 2009 was 9.7% compared to 4.1% in October 2006.

AP Economic Stress Index: Measuring financial strain by county

Economic Stress Index: June 2009
The combined impact of unemployment, foreclosures and bankruptcy on each county

Source: http://hosted.ap.org/specials/interactives/_national/stress_index_premium/
Beyond the numbers

A couple laid off on the same day. An entrepreneur forced into bankruptcy. An unemployed veteran. And the brightest story of the bunch – a repo man.

THE COMPETITIVE UNEMPLOYMENT LINE

NAVIGATING THROUGH SURPRISES

REFLECTION, SACRIFICE AND CHANGE

All interviews were conducted between Feb. 16 and April 14, 2009; ages are from time of interview; updates are from late June through July 2009

Source: http://hosted.ap.org/specials/interactives/_national/stress_index_premium/
The people behind the numbers

- Family debt averaged a record 133.7 percent of disposable income in 4Q 2007 and increasing\(^1\)
- 56 percent have changed their lifestyles significantly as a result of the recession\(^2\)

The “new normal”
– changing the way we live and work in the depressed economy

**Going down – entertainment spending**
- 63% cut back on entertainment spending
- 56% eat out less often
- 39% postponed or cancelled vacations
- 28% spending less on alcohol
- 49% spending less on clothes

**Going up – frugal food spending**
- Sales of canning and freezing supplies up 15.1%
- Dry-pasta sales up 5.6%
- 32% buying more food and supplies in bulk
- 38% shopping at discount stores more
- 37% using coupons more

*TIME Magazine* telephone poll of 1,000 Americans, April 2009
The financially unhealthy

- 30 million American workers – 1 in 4 – report they are financially distressed and dissatisfied with their personal finances
- More than half do not budget month-to-month
- 30-80% waste time at work on financial issues
The financially unhealthy

- 40% Percent of employees living "Paycheck-to-Paycheck"
- 60% Percent of employees saving on a monthly basis
- 35% Percent of employees with NO financial plan
- 65% Percent of employees with a financial plan

What are these financial realities doing to today’s employees – and their employers?

*The impact of employee financial concerns on health and productivity*
Relationship between employee health and financial distress

- Those in poorer health experience more financial strain
- Financial stress is a predictor of illness-based absenteeism
- Changes in financial behavior can influence health and financial distress

Helping employees change financial practices provides a holistic approach to improving both financial well-being and overall health
Health effects of financial distress

Specific health effects associated with financial distress

<table>
<thead>
<tr>
<th>Health Effect of Financial Problems</th>
<th>Frequency (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stress/stressed out</td>
<td>46.3%</td>
</tr>
<tr>
<td>Worry, nerves, tension, anxiety, pressure</td>
<td>11.9%</td>
</tr>
<tr>
<td>Depression/depressed</td>
<td>10.0%</td>
</tr>
<tr>
<td>Insomnia and sleep disorders/problems</td>
<td>9.2%</td>
</tr>
<tr>
<td>Headaches/migraines</td>
<td>7.3%</td>
</tr>
<tr>
<td>High blood pressure/hypertension</td>
<td>7.2%</td>
</tr>
<tr>
<td>General or other sickness</td>
<td>6.4%</td>
</tr>
<tr>
<td>Appetite disorders and weight gain or loss</td>
<td>3.5%</td>
</tr>
<tr>
<td>Stomach/abdominal/digestive problems</td>
<td>2.9%</td>
</tr>
</tbody>
</table>
What is stress doing to workers?

- 66 percent smoke more when stressed, and stress is major cause of smoking relapse<sup>1</sup>
- Nearly half lose sleep because of stress<sup>1</sup>
- 43 percent overeat when stressed<sup>1</sup>
- 17 percent drink too much when stressed<sup>1</sup>

Nearly one third of workers say that personal life interfering at work is a significant source of stress<sup>2</sup>

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1American Psychological Association Online Survey, October 2007
2 "Mind/Body Health Did You Know, "American Psychological Association, 2005
Impact on workplace productivity

Costs of employee financial stress are evident in the workplace:

- Financial stress affects 25% of the workplace\(^1\)
- Employee productivity is reduced by up to 20 hours per month/per employee\(^1\)
- The total costs to employers can be almost $7,000 per employee per year in lost productivity\(^1\)
- Stress causes American industry more than $300 billion annually in lost hours due to absenteeism, reduced productivity and workers compensation benefits\(^2\)

1 - Ned Lenhart “Employee Financial Stress is Costing Your Company a Bundle – And How You Can Stop It Now,” Financial Literacy Partners, LLC, 2005
2 - The American Institute of Stress Web Site, 2007
Summary - effects of stress on the workplace

- Stress is a prevalent and costly workplace problem
- One-third of workers report high levels of stress
- High stress levels associated with substantial increases in health service utilization
- Periods of disability due to job stress tend to be much longer than disability periods for other occupational injuries and illnesses
- Evidence also suggests that stress is major cause of turnover

National Institute for Occupational Safety and Health, Centers for Disease Control and Prevention, Department of Health and Human Services, Dec. 2007
What steps can employers take to reduce the impact of financial stress?

Practical strategies employers can use to help ease employees’ financial stress – and improve overall health and productivity
The “new normal”
...health decisions are financial decisions

- Employees increasingly see the two as connected...financial woes can drain health and wellness, illness can drain bank accounts
- Healthonomics 101: health = wealth
- Take charge of health, take charge of wealth...but looking to employers to provide some of that support
- Employers can go a long way toward ensuring employee health, productivity and peace of mind with customized support in developing comprehensive personal and household “health wealth” plans
Practical strategies for employers

- Reduce workplace stress
- Offer distressed employees assistance
- Promote wellness and good health practices
- Offer wide range of benefits, with convenient payroll deduction, to increase sense of security
- Provide education, advice, enrollment support – promote good financial practices
- Look for resources available through existing programs

Healthonomics 101: health = wealth
Reduce workplace stress

Employee stress can result in frequent illness and absence, decreased productivity, increased customer complaints.

- Suggestions:
  - Increase communications: town halls, newsletters, manager meetings
  - Discuss economic condition of business
  - Encourage vacation time
  - Recognize and reward hard work
  - Improve the workplace environment
  - Provide and communicate resources, such as employee assistance programs
Offer distressed employees assistance through an Employee Assistance Program

- On-line resources
  - articles, links to outside sources, financial calculators, and worksheets
- Telephonic counseling
- Telephonic seminars
- On-site financial seminars
- Lifestyle Management Programs with 1:1 coaching
- Critical Incident response
Most common financial assistance questions asked of EAPs

- EAP call volume is about 30 percent above normal, and financial problems have replaced emotional problems as callers’ top concern
- 88 percent year over year increase in requests for financial services

Financial Finesse, Inc. March 2009

1ComPsych
2Employee Assistance Society of North America 2008
Employee assistance programs work

2008 Impact of EAP Services on Productivity

- Improvement in Work Attendance: 91.8%
- Ability to be Productive at Work: 93.3%
- Ability to Balance Work & Life: 94.3%
- Ability to Manage Stress: 95.0%

Source: CIGNA 2008 EAP participant productivity survey of 3456 individuals

- Overall satisfaction with EAP services: 97.3%
- Overall satisfaction with providers: 93.3%
Help your employees take advantage of the full services your EAP offers

- EAPs can help, but employers need to increase visibility
  - Recent study found that while EAPs may be widely available, they are often ignored\(^4\)
  - 67 percent of Americans said access to an EAP would improve their work/life balance, but only 35 percent knew whether their employer offered a program

- Work with your EAP program to understand all it offers
- Utilize the tools offered to help communicate with employees (newsletters, flyers, shell emails)

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\(^1\) Associated Press-GfK Roper Public Affairs & Media poll
\(^2\) ComPsych
\(^3\) Employee Assistance Society of North America 2008
\(^4\) CIGNA 2008 study
Promote wellness and good health practices

Health risks are common

In a typical population of 100 people:

- 48 are overweight
- 44 suffer from stress
- 24 don’t exercise
- 26 have high blood pressure
- 30 have high cholesterol
- 21 smoke
- 31 use alcohol excessively
- 20 don’t wear seat belts

According to Money magazine, preventive care is an astute investment that can:

- Save thousands of dollars in avoided medical costs
- Add hundreds of thousands to lifetime earnings if it keeps workers from retiring early because of disability (as one in four workers do)
Consider adding / make the most of your corporate wellness program

- Assess the health risks of your employee population
- Include customized and individualized programs and interventions to address the health and wellness needs of workers
- Track the participation, use and effectiveness of the program
- Use quantitative results to evaluate the impact of wellness initiatives
Wellness programs work, according to ROI studies

- Review of 73 published studies of worksite wellness programs shows\(^1\)
  - Average $3.50-to-$1 savings-to-cost ratio in reduced absenteeism and health care costs

- Review of 42 published studies of worksite wellness programs shows average\(^2\)
  - 28% reduction in sick leave absenteeism
  - 26% reduction in health care costs
  - 30% reduction in workers’ compensation and disability management claims costs

1. Partnership for Prevention, “Leading by Example, 2005
2. From TripleTree discussions and interview with Ron Goetzl, “The Cost of wellness,” Wellness Councils of America, 2004
Promote good health practices

- **Lower-cost preventive care suggestions:**
  - Start up and promote lunch walking clubs
  - Create walking contests with prizes
  - Encourage managers to meet with employees during walks
  - Remind employees of health and wellness discount programs for weight management, tobacco cessation and more
  - Create email or other campaigns to remind employees to:
    - Spot problems early with preventive screening tests
    - Take prescribed medications
    - Floss - patients with severe gum disease have cumulative health care costs 21% higher
    - Get more sleep – insomniacs’ health care costs can be $4,200 more
    - Get more exercise - 10% reduction in body weight can save up to $5,300 in medical costs
Programs in action – CIGNA’s Employee Programs

Here you will find programs and resources to help you productive.

**Employee Assistance Program**
Get confidential assessments and referrals.

**Health Advisor**
Talk to an experienced registered nurse to an Advisor.℠

**HealthQuotient™ Health Risk Assessment**
Take the HealthQuotient™ (HQ) online health option and you have access to your information when you enroll.

**Healthy Rewards® discount program**
All CIGNA employees and their dependents can save up to 60 percent on health-related products and services. Learn more on how to access the Healthy Rewards discount program.

**Get Through the Storm**
Whether it’s larger concerns like the recession, personal finances and relationship issues or nagging stresses like finding child care, work/life balance, or needing motivational support to lose that last 5 lbs; CIGNA can help you get through stormy times.

Help is available for you and your family at no cost and regardless of whether you’re covered under the CIGNA Medical Plan – through CIGNA’s Employee Assistance Program (EAP).

Read a CIGNA Central article to learn more about the EAP and how it can help you.

**Your Healthy Life**
- EAP clinics onsite in six larger locations
- One hour of financial planning advice
- Comprehensive year-round communications
- Onsite seminars specific to financial topics
Offer wide range of benefits, with convenient payroll deduction

Ensure easy access with convenient payroll deduction to affordable products and services, including:

- Retirement/investment products
- Life, accident and disability insurance
- Long-term care insurance
- Business travel insurance
- Legal plans
- Identity theft services
- Travel assistance programs
- Employee assistance programs
- Discount programs for leading a healthier life
Offer wide range of benefits, with convenient payroll deduction

Disability insurance

- Employees worry about being able to pay bills after sudden income loss
  - Three in 10 workers entering the work force today will become disabled before retiring\(^1\)
  - Disability causes nearly 50% of all mortgage foreclosures, 2% are caused by death\(^2\)
  - Over 70% of working Americans do not have enough savings to meet short-term emergencies\(^3\)

- Coverage may include value-added services to help employees return to work more quickly:
  - Employee assistance program
  - Vocational rehabilitation counseling
  - Integration with health care services

\(^1\) Social Security Administration, Fact Sheet 2007
\(^2\) Health Affairs, The Policy Journal of the Health Sphere, 2 February 2005
\(^3\) National Investment Watch Survey, A.G. Edwards Inc. 2004
Offer wide range of benefits, with convenient payroll deduction

Life and accident insurance

- A survey of 48 million households revealed that people hesitate to purchase life insurance because:
  - A lack of education – consumers don’t know how much or what type to buy; and
  - Fear of the worst – consumers don’t want to think about own death
- Consumers are unaware of the many beneficiary responsibilities
  - Most have trouble handling these often expensive responsibilities due to immense grief and stress that follows the loss of a loved one

Employee benefit offerings more important than ever

- 70% of employers have or are considering increasing investments in wellness and disease management
- 70% are increasing employee benefits communications
- 39% have invested or will invest in financial education for employees
Provide education, advice, enrollment support

Growing need to offering financial education to employees

- Survey of HR and benefits managers found:
  - 39 percent increase in number of employees asking HR for help with personal financial issues
  - 26 percent increase in wage garnishments for debt collection
  - 20 percent increase in requests for pay advances
- But less than half of those employers offered programs to help with financial concerns
  - 45 percent had educational courses on debt management
  - 44 percent had one-on-one sessions with financial advisors

HR Magazine “Easing the burden of employees’ debt” 2008
Provide education, advice, enrollment support

- Work with all your benefit carriers to:
  - Design a comprehensive pre-enrollment campaign
  - Provide personalized plan information
  - Tailor benefits communications to relevant life stages
  - Host mandatory enrollment meetings
  - Provide helpful pre-enrollment customer service support
  - Deliver follow-up communications
  - Provide ongoing employee educational materials
Programs in action

- McDonald’s partnered with Visa to offer all employees a free financial literacy program, making it the single largest employer-based financial literacy program ever launched.

- IBM started the “MoneySmart” program – in-person and web-based seminars, one-on-one planning sessions, and online tools that cover such issues as managing debt and housing expenditures, budgeting for college, and planning for retirement.

- Pepsi Bottling Group started an educational program called “HealthyMoney” – workshops address money and debt management, budgeting, and saving for college; all workshops available online and DVD.
Many group insurance programs provide additional value-added services including:
- Will preparation
- Beneficiary assistance – including legal, financial and bereavement counseling
- Employee assistance programs
- Living benefits such as Terminal Illness and Critical Illness payouts
- Travel assistance services
- Identity theft assistance
- Health and wellness discounts

Have your company’s 401(k) provider give presentations and provide communications, including virtual learning opportunities
Practical tips

- Remind employees of direct deposit features (ability to deposit to both a savings and checking account)
- Include spouses in workplace financial and benefits seminars and access to online resources
- Leverage “teachable moments” such as birth of child or home purchase to provide benefits and financial information specific to life stage
- Invite experts to conduct “brown-bag” lunch presentations
  - Financial planners
  - Local Social Security Administration office
  - Local credit unions and banks
- Provide information about credit counseling programs
  - www.ftc.gov/bcp/edu/pubs/consumer/credit/cre26.shtm
- Refer employees to community organizations that are staffed and equipped to provide emotional and practical support
Practical tips

- Create a webliography of free resources for your employees to access
  - www.federalreserveeducation.org
  - www.fdic.gov
Recap: practical strategies for employers

- Reduce workplace stress
- Offer employees assistance
- Promote wellness
- Provide education and advice
- Offer wide range of benefits

Healthonomics 101: health = wealth
= improved workplace productivity