



OFFICE OF INSPECTOR GENERAL
City of Chicago



REPORT OF THE OFFICE OF INSPECTOR GENERAL:

***ADVISORY CONCERNING
THE CITY OF CHICAGO EMPLOYEE WELLNESS
PROGRAM***

JUNE 2015

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VIA ELECTRONIC MAIL

June 25, 2015

Dan Widawsky
Comptroller
Department of Finance
City of Chicago
121 N. LaSalle St., 7th Fl.
Chicago, IL 60602

Dear Comptroller Widawsky:

The City of Chicago Office of Inspector General (OIG) has completed a review of the City's current employee wellness program, Chicago Lives Healthy (CLH). The review found that, while the City spent nearly \$10.5 million¹ in taxpayer resources from 2012 through 2014 to improve employee health and reduce healthcare costs through CLH, the City has not formally assessed the program's impact in either area and, at present, has no plans to do so. OIG further learned that general research on the effectiveness of employee wellness programs is inconclusive. This research highlights the need for the City to develop specific performance measurements and analysis to determine whether the substantial outlay of taxpayer resources is meeting the program and policy objectives.

The following advisory summarizes some of the prevailing approaches to employee wellness program performance measurement that the City might consider in its assessment of CLH. OIG further suggests that the City clarify its expectations for the program by setting specific health status and healthcare savings targets as well as a timeline for achieving them. Once established, the City should monitor CLH performance on an ongoing basis to ensure that the program meets the City's wellness and cost-savings objectives.

I. CHICAGO LIVES HEALTHY

Rising employee healthcare costs represent one of today's many fiscal challenges for local governments,² including the City of Chicago. In fact, despite a 19% decrease in its workforce

¹ OIG determined this amount based only on the City's payments to the CLH vendor, American Healthways Services, LLC. This amount does not account for additional related costs such as City staff time or associated consulting fees.

² Abraham David Benavides and Haillee David, "Local government wellness programs: A viable option to decrease healthcare costs and improve productivity," *Public Personnel Management* 39, no. 4 (2010): 291-306.

between 2004 and 2013 (41,550 to 33,554 full-time equivalents), the City incurred a 43% increase in healthcare costs over the same period.³

In late 2012, the City implemented CLH with a stated goal of “achiev[ing] measurable increases in employee health behaviors which will drive a marked decrease in City healthcare costs and, in doing so, become the gold standard for Wellness in the public sector...”⁴ The City characterized CLH as a “comprehensive wellness program,”⁵ and offered it to benefits-eligible City employees, spouses, and domestic partners.⁶ The City has a \$24.0 million contract—ending on December 31, 2015—with American Healthways Services, LLC (hereafter “Healthways”)⁷ to provide biometric screenings, health coaching, and other health activities. According to Healthways, these services were designed to “empower [employees] to adopt healthier lifestyle habits.”⁸ Through 2014, the City paid Healthways nearly \$10.5 million for CLH.

The City encourages CLH participation by assessing a \$50 a month surcharge to the employee healthcare contribution of those who decline to enroll.⁹ As of March 6, 2015, nearly 85% of benefits-eligible City employees, spouses, and domestic partners (23,130 of 27,339) elected to

³ City of Chicago, Office of Budget and Management, “Annual Financial Analysis 2014,” 41, accessed May 7, 2015, http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2015Budget/AFA_2014_Final_web.pdf.

⁴ City of Chicago, Department of Finance and Office of Budget and Management, “Request for Proposal Specification Number 101311,” 25, accessed May 11, 2015, <http://webapps.cityofchicago.org/VCSearchWeb/>. The Mayor’s Office stated that CLH would “dramatically lower the City’s healthcare costs” and save the City \$20.0 million in healthcare costs in the first year alone. City of Chicago, Mayor’s Press Office, “Mayor Emanuel Kicks Off Unprecedented, Groundbreaking Wellness Program with City of Chicago’s Leaders,” July 27, 2012, accessed June 11, 2015,

http://www.cityofchicago.org/city/en/depts/mayor/press_room/press_releases/2012/july_2012/mayor_emanuel_kick_off_unprecedented_groundbreaking_wellness_program.html; and City of Chicago, Mayor’s Press Office, “Mayor Emanuel and Chicago Federation of Labor President Jorge Ramirez Announce New Comprehensive Wellness Program for City of Chicago Employees and Families,” September 16, 2011, accessed May 11, 2015, http://www.cityofchicago.org/city/en/depts/mayor/press_room/press_releases/2011/september_2011/mayor_emanuel_and_chicago_federation_of_labor_president_jorge_ramirez.html.

⁵ City of Chicago, Mayor’s Press Office, “Mayor Emanuel and Chicago Federation of Labor President Jorge Ramirez Announce New Comprehensive Wellness Program for City of Chicago Employees and Families,” September 16, 2011, accessed May 11, 2015, http://www.cityofchicago.org/city/en/depts/mayor/press_room/press_releases/2011/september_2011/mayor_emanuel_and_chicago_federation_of_labor_president_jorge_ramirez.html.

⁶ Healthways, “Chicago Lives Healthy: Program Overview 2012,” 2, accessed May 7, 2015, http://www.teamsterslocal700.com/pdfs/2012/081612_CityOverview.pdf. Some employees of sister agencies such as Chicago Public Schools and City Colleges of Chicago also participate in CLH. The participant numbers cited in this advisory and \$10.5 million spent through 2014 reflect only City of Chicago employees.

⁷ The \$24.0 million is the maximum to be paid to Healthways over the initial three year and eight and a half month contract period plus two possible one-year contract extensions. City of Chicago, Department of Finance, Contract (PO) Number 26319, April 16, 2012, accessed May 11, 2015, <https://webapps1.cityofchicago.org/VCSearchWeb/>.

⁸ Healthways, “Chicago Lives Healthy: Program Overview 2012,” accessed May 7, 2015, http://www.teamsterslocal700.com/pdfs/2012/081612_CityOverview.pdf.

⁹ City of Chicago, Mayor’s Press Office, “Mayor Emanuel Announces that More than 38,000 Eligible Workers and Spouses Sign Up For Wellness Program,” September 7, 2012, accessed May 11, 2015, <http://www.cityofchicago.org/content/dam/city/depts/mayor/Press%20Room/Press%20Releases/2012/September/9.7.12wellness.pdf>.

participate in CLH for FY2015. Since implementing CLH, the City has collected \$1.9 million in non-participation surcharges.¹⁰

Every year CLH participants must complete three steps—a biometric screening,¹¹ an online well-being assessment questionnaire, and a “check-in” call with a Healthways health advisor. In addition, CLH participants must earn 12 participation points per quarter by completing wellness activities, such as Healthways’s online and on-site programming. In accordance with the City’s contract with Healthways, up to 30% of program participants may participate in CLH’s telephonic “coaching” program. Coaching consists of two calls per quarter with a Healthways health advisor during which participants may establish and discuss progress toward personal wellness goals, including goals related to diet, exercise, smoking behavior, and emotional health, among others.¹² Per its contract, Healthways periodically reports to the City on program enrollment, coaching participation, and overall employee health status.¹³

II. EMPLOYEE WELLNESS PROGRAM PERFORMANCE MEASUREMENT¹⁴

Employers, both in the private and public sectors, are increasingly using employee wellness strategies to mitigate healthcare costs. According to a 2014 Kaiser Family Foundation survey, 74% of all employers offering health benefits and 85% of state and local government employers¹⁵ reported having implemented at least one type of employee wellness program.¹⁶

¹⁰ CLH enrollment numbers and penalty fee amount were provided by the Department of Finance to represent the City of Chicago only and not CPS or other sister agencies. OIG did not independently verify enrollment numbers or penalty fee amount.

¹¹ Healthways gathers a variety of health data during its biometric screenings, including CLH participants’ BMI, blood pressure, cholesterol, and glucose, among others.

¹² CLH is not the only wellness program the City offers. The City and Healthways share CLH participants’ biometric data with Telligen, a vendor that provides “comprehensive population health management solutions” (see Telligen, “About Us,” accessed May 11, 2015, <http://www.telligen.com/about-us>), including disease, diabetes, and maternity management programs. Telligen reviews employees’ claim data in conjunction with CLH participant biometric data to identify those who may be interested and eligible to participate in its three abovementioned programs.

¹³ The contract requires Healthways to provide the City with monthly reports of participant activity broken out by participants completing health coaching, those completing other well-being activities, and those who did not complete the minimum required well-being activities. It also requires Healthways to provide quarterly reports of participant health behaviors and annual reports of behavior risk reduction as well as a comparison to a national well-being index. In addition to reporting to the City, Healthways must provide well-being reports to individual participants based on their biometric screenings and responses to a questionnaire. City of Chicago, Department of Finance, Contract (PO) Number 26319, Exhibit 1 §§ 6 and 7, April 16, 2012, accessed May 11, 2015, <https://webapps1.cityofchicago.org/VCSearchWeb/>.

¹⁴ Performance measurement refers to “the ongoing monitoring and reporting of program accomplishments, particularly progress toward pre-established goals...typically conducted by program or agency management.” U.S. Government Accountability Office, “Performance Measurement and Evaluation: Definitions and Relationships,” May 2005, accessed May 6, 2015, <http://www.gao.gov/assets/80/77277.pdf>.

¹⁵ Gary Claxton et al., “Employer Health Benefits 2014 Annual Survey,” Kaiser Family Foundation, 200, accessed May 7, 2015, <http://files.kff.org/attachment/2014-employer-health-benefits-survey-full-report>.

¹⁶ The survey defined an employee wellness program as including at least one of the following: “weight loss programs, biometric screenings, gym membership discounts or on-site exercise facilities, smoking cessation program, lifestyle or behavioral coaching, classes in nutrition or healthy living, web-based resources for healthy living, flu shot or vaccination, employee assistance program (EAP), or a wellness newsletter.” Gary Claxton et al., “Employer Health Benefits 2014 Annual Survey,” Kaiser Family Foundation, 200, accessed May 7, 2015, <http://files.kff.org/attachment/2014-employer-health-benefits-survey-full-report>.

While employee wellness programs are increasingly prevalent, approaches to defining and measuring the success of wellness programs vary. In our review, OIG identified two prevailing approaches to measuring the effectiveness of employee wellness programs that are germane to the City's program goal—return on investment (ROI) and impact on health status and behavior.¹⁷

1. *ROI*: This approach compares wellness program costs to their direct and/or indirect medical costs over time. Direct medical costs include amounts spent on healthcare claims or premiums paid to insurance companies. Indirect medical costs include workers' compensation claims, long-term and short-term disability, and absenteeism, among others. Industry experts state that it may take five years or more for employers to achieve a positive ROI, due to the "long latency period" between the wellness program intervention and any resulting cost savings.¹⁸
2. *Impact on Health Status and Behavior*: This approach tracks aggregate changes in employee health status and behaviors. The metrics tracked include biometric indicators of health, such as blood sugar, cholesterol, blood pressure, and BMI, as well as health behaviors, such as tobacco use and exercise frequency.

Research assessing these measurement approaches yields mixed results. For example, there is no consensus among industry experts that wellness programs yield a positive ROI for employers. A widely-cited 2010 study of wellness program outcomes reported a savings to cost ROI of \$3.27-to-1 for direct medical costs and a ROI of \$2.73-to-1 for absenteeism costs.¹⁹ However, some experts have challenged the validity of this study because it relied on outdated research²⁰ and lacked applicability to all employers.²¹ In addition, the lead author of the study has since qualified the findings by cautioning that more research is needed to determine any conclusive impact.²² In contrast, two peer-reviewed studies—one using a population-based wellness-sensitive medical event analysis²³ and another based on randomized controlled trials²⁴—determined that wellness programs resulted in a savings to cost ROI of 1-to-1 or less.

¹⁷ For some employers, an additional goal of employee wellness programs is to build workforce morale and to attract and retain talent.

¹⁸ Soeren Mattke et al., "Workplace Wellness Programs Study [2013]," RAND Health, 64, accessed May 8, 2015, http://www.rand.org/content/dam/rand/pubs/research_reports/RR200/RR254/RAND_RR254.pdf.

¹⁹ Katherine Baicker, David Cutler, and Zirui Song, "Workplace Wellness Programs Can Generate Savings," *Health Affairs* 29, no. 2 (2010): 304-311.

²⁰ Al Lewis, Vik Khanna, and Shana Montrose, "Workplace Wellness Produces No Savings," *Health Affairs Blog*, November 25, 2014, accessed May 11, 2015, <http://healthaffairs.org/blog/2014/11/25/workplace-wellness-produces-no-savings/>.

²¹ Soeren Mattke et al., "Workplace Wellness Programs Study [2013]," RAND Health, 3, accessed May 8, 2015, http://www.rand.org/content/dam/rand/pubs/research_reports/RR200/RR254/RAND_RR254.pdf.

²² Shannon Mullen, "Can your boss fine you for not disclosing your weight?," *Marketplace*, July 22, 2013, accessed May 11, 2015, <http://www.marketplace.org/topics/business/health-care/can-your-boss-fine-you-not-disclosing-your-weight>.

²³ Gautam Gowrisankaran et al., "A Hospital System's Wellness Program Linked to Health Plan Enrollment Cut Hospitalizations But Not Overall Costs," *Health Affairs* 32, no. 3 (2013): 477-485.

²⁴ Siyan Baxter et al., "The Relationship Between Return on Investment and Quality of Study Methodology in Workplace Health Promotion Programs," *American Journal of Health Promotion* 28, no. 6 (2014): 347-363.

Research on the impact these programs have on employee health status and behavior is also inconclusive. For example, a 2014 RAND study found evidence that wellness program participants improved in the areas of exercise frequency, smoking behavior, and weight control.²⁵ The study also found that program participation was associated with improvements in the areas of BMI, blood pressure, and cholesterol levels.²⁶ However, due to the study's design, researchers were unable to directly attribute improvements in health status and behavior to the wellness program alone.²⁷

In sum, the general consensus among industry experts on the effectiveness of wellness programs is that more research is needed.

III. THE CITY SHOULD ESTABLISH CLH PERFORMANCE TARGETS AND MONITOR PERFORMANCE DATA ACCORDINGLY

The uncertainty surrounding the effectiveness of wellness programs emphasizes the need for a performance measurement framework in assessing CLH. While the City's goal for CLH is clear—to improve the health of City employees and lower the City's healthcare costs²⁸—the City has yet to determine a method for measuring healthcare cost savings and employee health improvements. Without such a framework, the City cannot make evidence-based, cost-benefit decisions about the future of CLH.

To this end, OIG suggests that, if CLH is renewed for 2016, the City establish a performance measurement framework for the program. Such a framework may include,

- Setting health status and healthcare savings targets as well as a timeline for achieving them;
- Connecting existing health performance measures, such as participants' aggregate biometric data, to targeted health performance outcomes;
- Implementing a study designed to identify and measure any causal relationship between CLH and health status improvements and healthcare savings;
- Incorporating specific health status and healthcare savings targets into the next wellness program Request for Proposal;

²⁵ Soeren Mattke et al., "Workplace Wellness Programs Study [2013]," RAND Health, 60, accessed May 8, 2015, http://www.rand.org/content/dam/rand/pubs/research_reports/RR200/RR254/RAND_RR254.pdf.

²⁶ Despite these findings, the study's authors cautioned that "it is not clear at this point whether improved health-related behavior will translate into lower healthcare costs." Soeren Mattke et al., "Workplace Wellness Programs Study [2013]," RAND Health, 47, 51, 64, accessed May 8, 2015, http://www.rand.org/content/dam/rand/pubs/research_reports/RR200/RR254/RAND_RR254.pdf.

²⁷ Participant versus non-participant study design may demonstrate correlation between wellness program participation and improved health but not causation. "Whether participant vs. non-participant [changes] are due to the wellness programs themselves or are due to fundamentally different and unmatchable attitudes is therefore the key question. For instance, smokers self-selecting into a smoking cessation program may be more predisposed to quit than smokers who decline such a program." Al Lewis, Vik Khanna, and Shana Montrose, "Workplace Wellness Produces No Savings," *Health Affairs Blog*, November 25, 2014, accessed May 11, 2015, <http://healthaffairs.org/blog/2014/11/25/workplace-wellness-produces-no-savings/>.

²⁸ City of Chicago, Department of Finance and Office of Budget and Management, "Request for Proposal Specification Number 101311," 25, accessed May 11, 2015, <http://webapps.cityofchicago.org/VCSearchWeb/>.

- Monitoring CLH performance on an ongoing basis to ensure that the program meets the City's wellness and cost-savings objectives; and
- Reporting publicly and routinely on the outcomes.

IV. CONCLUSION

In light of the City's ongoing financial challenges, the City cannot afford to invest in programs of undetermined impact. For the City to achieve its goal for CLH as the "gold standard for Wellness in the public sector," the City should measure CLH performance to determine whether the program is one worth sustaining in Chicago and one worth modeling in other jurisdictions.

We thank the Department of Finance and associated consultants for their cooperation during the course of this review. OIG invites the Department to respond in writing before July 27, 2015. Any such response will be made public together with this OIG Advisory.

Respectfully,



Joseph M. Ferguson
Inspector General
City of Chicago

Cc: Forrest Claypool, Chief of Staff

CITY OF CHICAGO OFFICE OF INSPECTOR GENERAL

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