MAKING THE BUSINESS CASE FOR FINANCIAL WELLNESS

COLORADO CULTURE OF HEALTH

MAY 2, 2018

Rob Fouhy
Senior Associate
Denver

Lee D. Gold
Principal
Denver
WHAT IS WELL-BEING?
A TRADITIONAL DEFINITION

- **PHYSICAL**: Energy, health risk awareness, prevention, nutrition, exercise, sleep
- **EMOTIONAL**: Resilience, mindfulness, stress management, learning, optimism
- **FINANCIAL**: Security, life planning, retirement, debt management, insurance
WHAT IS FINANCIAL WELL-BEING?
THE EMPLOYEE JOURNEY

Control over day-to-day finances

- Budgeting
- Debt Management

Prepared for the unexpected

- Short Term Savings
- Insurance

On track to meet financial goals

- Retirement
- Investments

Freedom to make choices in life

Financial Advice
ELEMENTS OF FINANCIAL WELL-BEING

**Assets**
69% of workers have less than $1,000 in savings\(^1\)

**Liabilities**
$37,000 Average Student Loan debt\(^2\)

**Income / Expenses**
53% Of adults say spending equals or exceeds income\(^3\)

**Insurance Protection**
44% Unable to cover $400 surprise\(^3\)

**Health**
Only 59% Profess excellent or very good health currently as it relates to being able to do their job\(^5\)

---

\(^1\)GOBankingRates 2016 Survey
\(^2\)NERDWALET, 2016
\(^3\)GOBankingRates 2016 Survey
\(^4\)Mercer’s National Survey of Employer-Sponsored Health Plans, 2016
\(^5\)Healthy, Wealthy and Work-wise, Mercer 2018

---

Copyright © 2018 Mercer (US) Inc. All rights reserved.
There are business impacts when employees are not financially fit

Business Results

- Health Care Costs
- Delayed Retirements
- FICA Taxes
- Wage Garnishments
- Safety
- Productivity and Presentism
- Absenteeism
- Turnover
HEALTHCARE COSTS

<table>
<thead>
<tr>
<th>Condition</th>
<th>High Financial Stress</th>
<th>Low Financial Stress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Migraines / Headaches</td>
<td>44%</td>
<td>15%</td>
</tr>
<tr>
<td>Insomnia / Sleep Trouble</td>
<td>39%</td>
<td>17%</td>
</tr>
<tr>
<td>High Blood Pressure</td>
<td>33%</td>
<td>26%</td>
</tr>
<tr>
<td>Stomach Ulcers</td>
<td>27%</td>
<td>8%</td>
</tr>
<tr>
<td>Muscle Tension / Back Pain</td>
<td>51%</td>
<td>31%</td>
</tr>
<tr>
<td>Severe Anxiety</td>
<td>29%</td>
<td>4%</td>
</tr>
<tr>
<td>Depression</td>
<td>23%</td>
<td>4%</td>
</tr>
<tr>
<td>Heart Attacks</td>
<td>6%</td>
<td>3%</td>
</tr>
</tbody>
</table>

**Healthcare Costs**

**Sleep Trouble and Its Side Effects**

<table>
<thead>
<tr>
<th>Hours of Sleep</th>
<th>Accident likelihood</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 5 Hours</td>
<td>4.3 X</td>
</tr>
<tr>
<td>4 Hours</td>
<td>11.5 X</td>
</tr>
</tbody>
</table>

Adults aged 45 years or older who sleep less than six hours a night are **200%** more likely to have a heart attack or stroke in their lifetime, as compared with those sleeping seven or eight hours a night.

*Why We Sleep: The New Science of Sleep and Dreams, Matthew Walker*
DELAYED RETIREMENT

Higher Medical Costs

Higher Incidents of Disability

Low Engagement (if employee would rather be retired)

Employer Impact

$50,000 for every year that employee delays retirement

Why Employers Should Care About the Cost of Delayed Retirements, Prudential Financial, Inc., 2017
**FICA TAXES**

- Certain employee benefit costs are excluded from FICA-taxable wages:
  - FSA contributions
  - HSA contributions

- Lower FICA-taxable wages for employee also means lower FICA taxes for the employer

- Case Study: FSA participation increased from 45% to 70% following 9 week course on financial wellness, resulting in lower FICA taxes for employer.

Federal Reserve Bank of Kansas City, 2009
<table>
<thead>
<tr>
<th>Financial Wellness Score</th>
<th>% with Wage Garnishments</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>4.8</td>
</tr>
<tr>
<td>6</td>
<td>1.84</td>
</tr>
</tbody>
</table>

Financial Wellness Score

4  →  6

Unplanned Absenteeism Drops 25%

**TURN OVER**

2 in 5

Employees seriously considering leaving their employer

66%

Of employees agree that their benefits make them feel appreciated by employer

63%

Of employees agree that their benefits are one of the reasons they work where they do

*Inside Employees’ Minds, Mercer 2015*

---

**Student Loan Repayment Benefit**

36%

Willing to stay at a job longer if this benefit provided

2X

Repayment benefit 2X more valuable than 401(k) or health insurance contributions from employer

*Millennial Benefits Preference Study, Peanut Butter, 2017*
**PRODUCTIVITY AND PRESENTEEISM**

30% Of employees say that personal financial issues distract them at work\(^1\)

36% Of employees admit to missing work to deal with a personal financial problem\(^2\)

7 of 10 American workers say financial stress is their most common cause of stress\(^3\)

Of these, 46% Spend at least 3 hours each week at work dealing with or thinking about their financial issues

\(^1\)2017 Employee Financial Wellness Survey, PricewaterhouseCoopers
\(^2\)Workplace Options and Public Policy Polling, 2015
\(^3\)American Psychology Association, Stress in America: Are Teens Adopting Adults’ Stress Habits? (2014)
How would I come up with $300?  
Participants scored similarly in the fluid intelligence test regardless of income level.

How would I come up with $3,000?  
Lower income participants showed a drop in IQ whereas higher income participants showed no change in IQ.

Financial stress can have notable impacts on employee cognitive health as well as workplace safety.  
A hypothetical financial burden of $3,000 impacted the IQ of low income participants more than pulling an all-nighter.

RETURN ON INVESTMENT
CASE STUDIES

• Employer saves $624,250 by investing $200,000 in financial wellness program

• Employer may save $405.94 per employee per year

• 10% reduction in worker stress can save employer with 1,000 employees, $566,500 per year

• Healthcare costs dropped 4.5% over two-year period for financial wellness participants, while non-participants saw an increase of 19.4% over the two years

• Return on Investment (ROI) for health-care system: $6.60 for each $1 spent

2 Study by Virginia Tech’s National Institute for Personal Finance Employee Education (NIPFEE), 1998
3 Study by Pension Consultants Inc., 2014
4 Case Study: Impact of Employee Financial Stress on Health Care Costs, Financial Finess, Sept. 2013
5 McLeod Health and Personal Finance Employee Education Foundation,
Spend (PEPY) to Achieve 5:1 ROI  
15% Participation, 10% Impact

**Business Case for Financial Wellness**

<table>
<thead>
<tr>
<th>Description</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Employees at Employer</td>
<td>3,000</td>
</tr>
<tr>
<td>% of Employees Participating in FW program</td>
<td>15.0%</td>
</tr>
<tr>
<td><strong>Impact of Participation in FW Program</strong></td>
<td></td>
</tr>
<tr>
<td>Productivity Increase</td>
<td>$26,460</td>
</tr>
<tr>
<td>Reduced Safety Incidents</td>
<td>$2,250</td>
</tr>
<tr>
<td>Reduced Absenteesim</td>
<td>$19,688</td>
</tr>
<tr>
<td>Reduced Turnover</td>
<td>$236,250</td>
</tr>
<tr>
<td>Fewer Employees Delaying Retirement</td>
<td>$47,250</td>
</tr>
<tr>
<td>Decrease in Wage Garnishments</td>
<td>$130</td>
</tr>
<tr>
<td>Employer FICA Tax Reductions</td>
<td>$4,131</td>
</tr>
<tr>
<td>Reduced Healthcare Costs</td>
<td>$34,813</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$370,971</strong></td>
</tr>
</tbody>
</table>

**Savings PEPY** $123.66

**Desired ROI** 5.0

**Available spend per Employee per Year** $24.73

**Assumed behavior change by those participating**

- 10% reduction in hours spent worrying about money on the job
- 10% reduction in safety incidents
- 10% reduction in unplanned absences
- 10% reduction in those terminating employment
- 10% reduction in people over 60 who continue working, but want to retire
- 10% will no longer have wage garnishments
- 10% increase in participation in FSA/HSA
- 1% reduction in healthcare costs
## Business Case for Financial Wellness

<table>
<thead>
<tr>
<th>Impact of Participation in FW Program</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productivity Increase</td>
<td>$132,300</td>
</tr>
<tr>
<td>Reduced Safety Incidents</td>
<td>$11,250</td>
</tr>
<tr>
<td>Reduced Absenteesim</td>
<td>$98,438</td>
</tr>
<tr>
<td>Reduced Turnover</td>
<td>$1,181,250</td>
</tr>
<tr>
<td>Fewer Employees Delaying Retirement</td>
<td>$236,250</td>
</tr>
<tr>
<td>Decrease in Wage Garnishments</td>
<td>$648</td>
</tr>
<tr>
<td>Employer FICA Tax Reductions</td>
<td>$20,655</td>
</tr>
<tr>
<td>Reduced Healthcare Costs</td>
<td>$348,134</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,028,924</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assumed behavior change by those participating</th>
</tr>
</thead>
<tbody>
<tr>
<td>25% reduction in hours spent worrying about money on the job</td>
</tr>
<tr>
<td>25% reduction in safety incidents</td>
</tr>
<tr>
<td>25% reduction in unplanned absences</td>
</tr>
<tr>
<td>25% reduction in those terminating employment</td>
</tr>
<tr>
<td>25% reduction in people over 60 who continue working, but want to retire</td>
</tr>
<tr>
<td>25% will no longer have wage garnishments</td>
</tr>
<tr>
<td>25% increase in participation in FSA/HSA</td>
</tr>
<tr>
<td>5% reduction in healthcare costs</td>
</tr>
</tbody>
</table>

Savings PEPY $676.31

Desired ROI 5.0

Available spend per Employee per Year $135.26

Spend (PEPY) to Achieve 5:1 ROI

30% Participation, 25% Impact
# Spend (PEPY) to Achieve 5:1 ROI

**What Might You Expect?**

<table>
<thead>
<tr>
<th>Participation %</th>
<th>5%</th>
<th>10%</th>
<th>15%</th>
<th>20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>$12.11</td>
<td>$19.58</td>
<td>$27.05</td>
<td>$34.52</td>
</tr>
<tr>
<td>15%</td>
<td>$18.17</td>
<td>$29.37</td>
<td>$40.58</td>
<td>$51.78</td>
</tr>
<tr>
<td>20%</td>
<td>$24.22</td>
<td>$39.16</td>
<td>$54.10</td>
<td>$69.05</td>
</tr>
<tr>
<td>25%</td>
<td>$30.28</td>
<td>$48.96</td>
<td>$67.63</td>
<td>$86.31</td>
</tr>
<tr>
<td>30%</td>
<td>$36.34</td>
<td>$58.75</td>
<td>$81.16</td>
<td>$103.57</td>
</tr>
</tbody>
</table>

% Impact on 7 key Factors (3% impact on healthcare costs)
Developing an Effective Well-Being Program

Diagnose workforce needs to understand current state and inform design

- Utilize Assessments
- Workforce segmentation
- Benefits utilization analysis
- Gap analysis

Design an actionable program that’s best for both employer and employees

- Resources/services needed
- Vendor evaluation & selection
- Preferred provider programs
- Incentives
- Reward structure and measurement

Personalized and contextualized employee engagement

- Marketing approaches to drive awareness
- Curated content to drive action
- Choice architecture application
- Consumer-oriented engagement principles
- Personalized nudges guide next best action

Develop or purchase the appropriate delivery systems

- Digital navigator
- User platforms and/or microsites
- Highly rated tools, products and vendors
- Governance & administration of programs
DIGITAL NAVIGATION
WHAT WOULD “BEST PRACTICE” BE?

WHAT A “BEST PRACTICE” DN SOLUTION NEEDS TO DO:

Leverage data and technology to better engage employees in the right behaviors 365 days a year – not just when care is needed or a financial emergency arises.

Provide relevant, personalized and timely information that fuels action and enables shared accountability.

WHAT A “BEST PRACTICE” DN/AC SOLUTION NEEDS TO HAVE:

- Highly predictive data analytics engine
- Valuable user experience driven by cognitive computing
- Consumer-centric interface with multi-channel access
- Ability to provide personalized plug-in holistic well-being
- Open architecture for vetted service providers
WHAT WORKS BEST...
AN EXCEPTIONAL PARTICIPANT EXPERIENCE

- Inclusive
- Crowd-sourced
- Always Available
- Fun - Gamification
- Private
- Completely Personalized
- Physical, Emotional and Financial
- Situation Adaptive - Accessible whenever and wherever to a wider audience
- Simple & Intuitive
- Social Networking

WHY? A PARTICULAR PARTICIPANT EXPERIENCE

Copyright © 2018 Mercer (US) Inc. All rights reserved.