

MAKING THE BUSINESS CASE FOR FINANCIAL WELLNESS

COLORADO CULTURE OF HEALTH

MAY 2, 2018

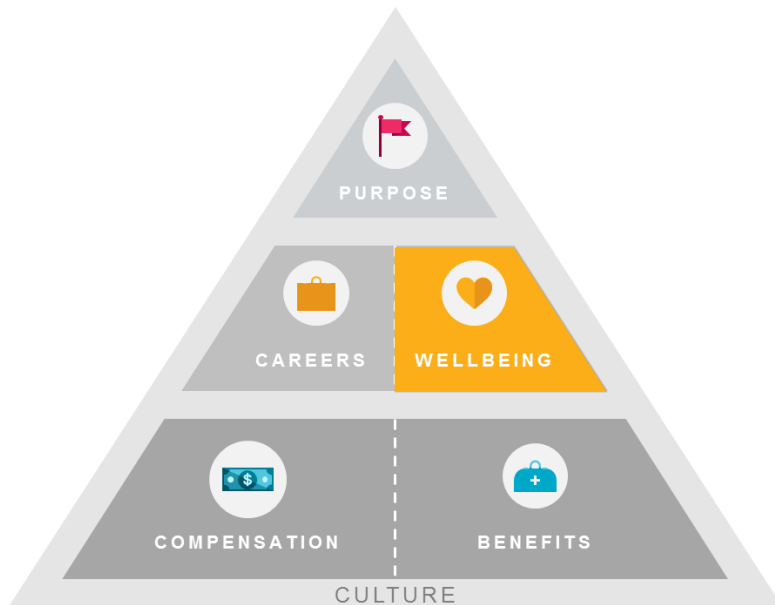
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WHAT IS WELL-BEING? A TRADITIONAL DEFINITION



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



ELEMENTS OF FINANCIAL WELL-BEING



Assets

69%
of workers
have less than
\$1,000 in
savings¹



Liabilities

\$37,000
Average
Student Loan
debt²



Income / Expenses

53%
Of adults say
spending
equals or
exceeds
income³



Insurance Protection

44%
Unable to
cover \$400
surprise³

\$2,000
Median CDHP
deductible⁴



Health

Only **59%**
Profess
excellent or very
good health
currently as it
relates to being
able to do their
job⁵

¹GOBankingRates 2016 Survey

²NERDWALLET, 2016

³Federal Reserve Report Economic Well-Being of US Households in 2016

⁴Mercer's National Survey of Employer-Sponsored Health Plans, 2016

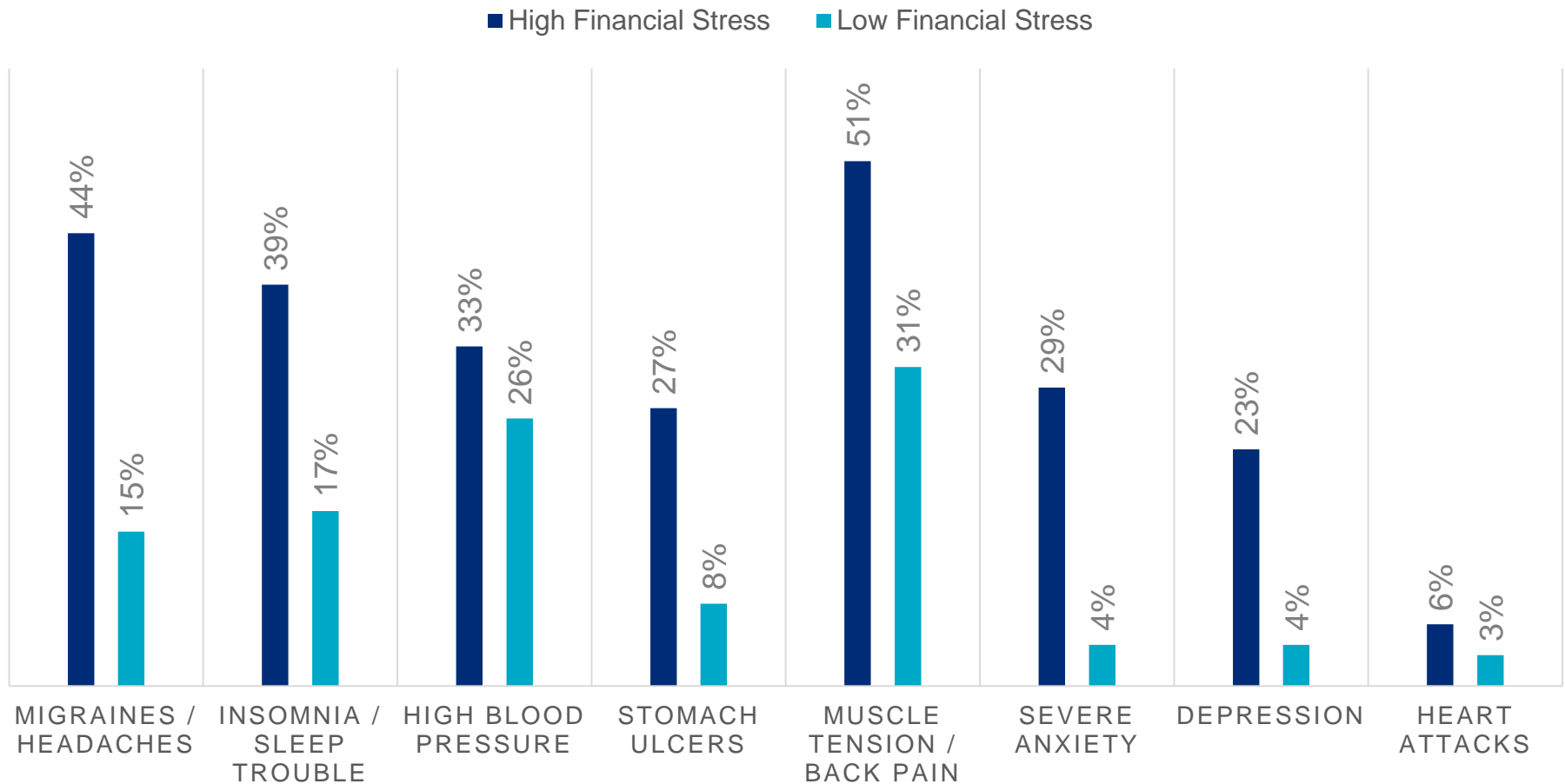
⁵Healthy, Wealthy and Work-wise, Mercer 2018

THERE ARE BUSINESS IMPACTS WHEN EMPLOYEES ARE NOT FINANCIALLY FIT





HEALTHCARE COSTS



Source: AP AOL Health Poll: *Debt Stress: The Toll Owing Money Takes on the Body* (2008)



HEALTHCARE COSTS

SLEEP TROUBLE AND ITS SIDE EFFECTS



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.

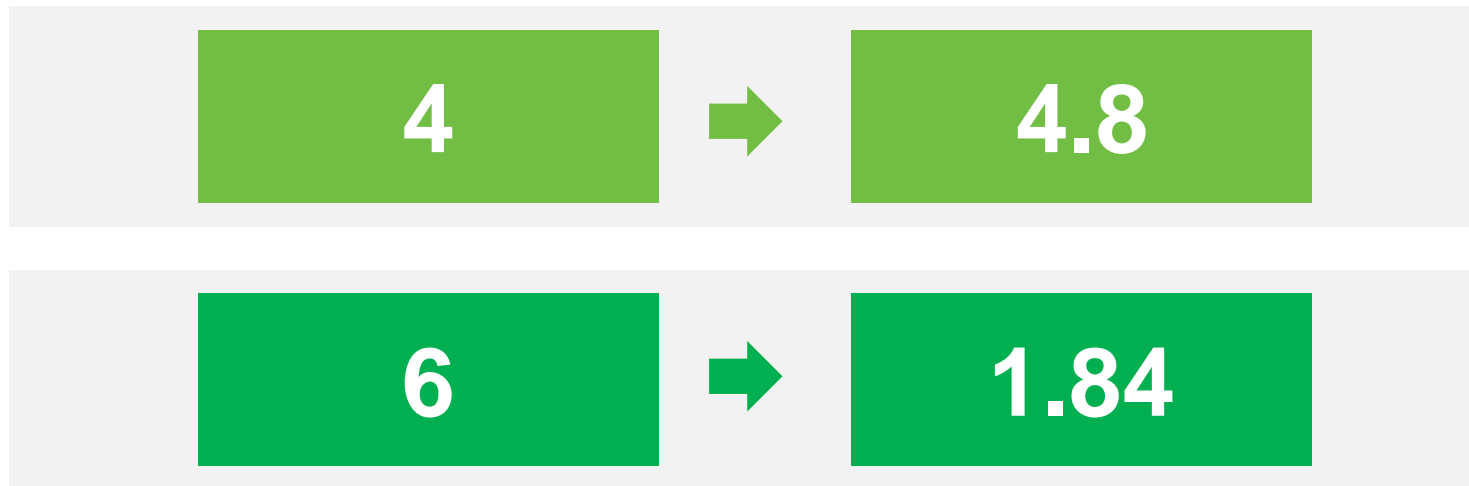
Federal Reserve Bank of Kansas City, 2009

WAGE GARNISHMENTS



Financial Wellness Score

% with Wage Garnishments



Calculating ROI: Measuring the Benefits of Workplace Financial Wellness, Gregory Ward, 2017

ABSENTEEISM



Financial Wellness Score

4



6

**Unplanned
Absenteesism
Drops 25%**

Calculating ROI: Measuring the Benefits of Workplace Financial Wellness, Gregory Ward, 2017

TURNOVER



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 work¹

Of these, **46%**

Spend at least 3 hours each week at work dealing with or thinking about their financial issues

36%

Of employees admit to missing work to deal with a personal financial problem²

7 of 10

American workers say financial stress is their most common cause of stress³

¹2017 Employee Financial Wellness Survey, PricewaterhouseCoopers

²Workplace Options and Public Policy Polling, 2015

³American Psychology Association, Stress in America: Are Teens Adopting Adults' Stress Habits? (2014)



PRODUCTIVITY AND SAFETY

COGNITIVE IMPACT OF SCARCITY

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**

Source: Scarcity: Why Having Too Little Means So Much, Sendhil Mullainathan and Eldar Shafir, 2013

RETURN ON INVESTMENT CASE STUDIES

- Employer saves \$624,250 by investing \$200,000 in financial wellness program¹
- Employer may save \$405.94 per employee per year²
- 10% reduction in worker stress can save employer with 1,000 employees, \$566,500 per year³
- 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 years⁴
- Return on Investment (ROI) for health-care system: \$6.60 for each \$1 spent⁵

1 E. Thomas Garman, The Business Case for Financial Education, 1988

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 Finesse, 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

Number of Employees at Employer	3,000
% of Employees Participating in FW program	15.0%

Impact of Participation in FW Program

	Savings
Productivity Increase	\$ 26,460
Reduced Safety Incidents	\$ 2,250
Reduced Absenteesim	\$ 19,688
Reduced Turnover	\$ 236,250
Fewer Employees Delaying Retirement	\$ 47,250
Decrease in Wage Garnishments	\$ 130
Employer FICA Tax Reductions	\$ 4,131
Reduced Healthcare Costs	\$ 34,813
Total	\$ 370,971

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

\$24.73

SPEND (PEPY) TO ACHIEVE 5:1 ROI 30% PARTICIPATION, 25% IMPACT

Business Case for Financial Wellness

Number of Employees at Employer	3,000
% of Employees Participating in FW program	30.0%

Impact of Participation in FW Program

	Savings
Productivity Increase	\$ 132,300
Reduced Safety Incidents	\$ 11,250
Reduced Absenteesim	\$ 98,438
Reduced Turnover	\$ 1,181,250
Fewer Employees Delaying Retirement	\$ 236,250
Decrease in Wage Garnishments	\$ 648
Employer FICA Tax Reductions	\$ 20,655
Reduced Healthcare Costs	\$ 348,134
Total	\$ 2,028,924

Savings PEPY \$ 676.31

Desired ROI 5.0

Available spend per Employee per Year \$ 135.26

Assumed behavior change by those participating

- 25% reduction in hours spent worrying about money on the job
- 25% reduction in safety incidents
- 25% reduction in unplanned absences
- 25% reduction in those terminating employment
- 25% reduction in people over 60 who continue working, but want to retire
- 25% will no longer have wage garnishments
- 25% increase in participation in FSA/HSA
- 5% reduction in healthcare costs

\$135.26

SPEND (PEPY) TO ACHIEVE 5:1 ROI WHAT MIGHT YOU EXPECT?

		% Impact on 7 key Factors (3% impact on healthcare costs)			
		5%	10%	15%	20%
Participation %	10%	\$ 12.11	\$ 19.58	\$ 27.05	\$ 34.52
	15%	\$ 18.17	\$ 29.37	\$ 40.58	\$ 51.78
	20%	\$ 24.22	\$ 39.16	\$ 54.10	\$ 69.05
	25%	\$ 30.28	\$ 48.96	\$ 67.63	\$ 86.31
	30%	\$ 36.34	\$ 58.75	\$ 81.16	\$ 103.57

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



QUESTIONS?





MERCER

MAKE TOMORROW, TODAY