

# Employers Guide

Employee Assistance Program

Cost Savings

*Roadmap to Understanding  
Behavioral Health Costs in the Workplace*



BEHAVIORAL HEALTHCARE OPTIONS, INC.<sup>SM</sup>

## Introduction

Employees face many life challenges that affect workplace productivity and performance. Among these challenges are behavioral health problems, which affect absenteeism; turnover, health care claims, disability, and overall job performance.

As health care and operational costs continue to rise, employers are continually evaluating solutions designed to help the bottom line. Employee Assistance Programs (EAPs) are one of these solutions that are often overlooked. EAPs can provide employers a solution and a return on the investment they seek.

Historically, most employers have focused their cost containment efforts on general health care services. Employers have seen some results, but continue to experience rising costs and limited overall savings.

The reason for the limited return is employers have overlooked behavioral issues as a major cause of operational costs. To remedy this, employers need to focus on implementing and promoting quality behavioral health care and work/life services, such as EAPs.

EAPs are an effective tool for improving overall workplace performance. EAPs help employers and employees identify and resolve behavioral obstacles to employee productivity and workplace performance. EAP intervention is a proven solution to the overlooked costs associated with behavioral health issues in the workplace.

We have provided this summary to advance understanding of the costs related to behavioral health problems in the workplace. The information featured in this guide is based on administrative and clinical "best practices" data.

The goal of the *Employers Guide* is to help employers understand:

- The impact of behavioral health problems on operational costs
- The EAP is an important tool to improve and manage employee productivity and performance
- EAPs can help control the costs related to health care and disability claims
- EAPs can provide substantial return on investment

### ◆ Key Fact

Mental health problems affect productivity and job performance. An average of **one out of every twenty** employees is depressed, and it is estimated that by 2020, depression will be the second most prevalent cause of disability in the world. Depression alone causes an estimated 200 million lost workdays and \$44 billion in lost productivity each year.

### ◆ Key Fact

The burden of mental illness on health and productivity in the United States and throughout the world has long been profoundly underestimated.

- US Surgeon General's Report on Mental Health

## Workplace Costs Related to Behavioral Health Disorders

The workplace costs related to mental illness and substance abuse disorders include excess turnover, lost productivity, work impairment, presenteeism, absenteeism, increased health plan utilization, and increased short- and long-term disability claims. Other indirect costs relate to employee turnover, workplace morale, and managerial and human resource efficiency.

Approximately 50% of employees with mental illnesses such as major depression and/or anxiety disorders experience incidental absences and short-term disability, productivity decline and presenteeism.

Researchers have found that individuals with mental illness reported losing between 4.3 to 5.5 days of productive work during the 30 days prior to their interview.<sup>49</sup> Employees experiencing depression are five times more likely to experience work-related problems than healthy employees or employees with chronic physical illnesses, such as diabetes and heart disease.<sup>50</sup>

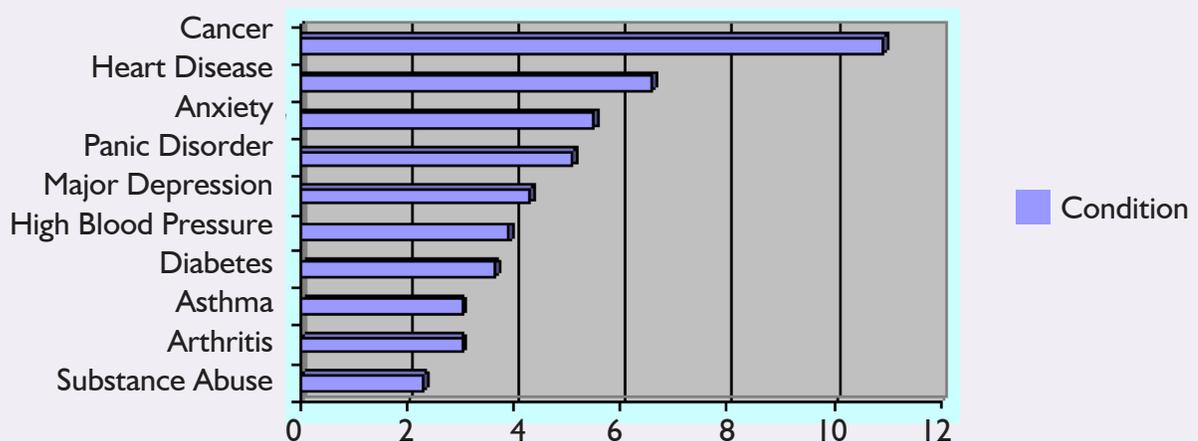
### ◆ Key Fact

Estimates of the total workplace costs of mental illness and substance abuse disorders range from a low estimate of \$79 billion per year to a high of \$105 billion per year.<sup>8</sup>

### ◆ Key Fact

Mental illness causes more days of work loss and work impairment than many other chronic conditions, such as diabetes, asthma, and arthritis.<sup>49</sup>

ESTIMATED MEAN NUMBER OF DAYS OF IMPAIRMENT AMONG INDIVIDUALS WITH CHRONIC CONDITIONS DURING A 30-DAY RECALL PERIOD



Source: Kessler RC. Greenberg PE. Mickelson KD. Meneades LM. Wang PS. The effects of chronic medical conditions on work loss and work cutback. *Journal of Occupational and Environmental Medicine*. 2001; 43(3): 218-225.

## EAPs and Return on Investment

When employers consider purchasing an EAP, they question whether or not the EAP provides enough value to cover the cost of purchasing the service. In other words, is the financial return on investment (ROI) a positive ratio?

Researchers, employers and industry experts now believe that there is enough solid evidence from respected studies to “make the business case” that EAPs do contribute to major workplace cost savings.<sup>16-24</sup>

This general conclusion is supported specifically by multiple case studies of outcomes (i.e., absence, productivity, health care costs, disability) associated with EAP use at many highly respected companies. Companies such as Abbott Laboratories, America On Line (AOL), Campbell Soup, Chevron, DuPont, McDonnell Douglas, the US Postal Service and the US Federal Government, have all experienced substantial return on investment related to the impact of the EAP on the workplace.<sup>9,25</sup>

The ROI for EAPs is consistent with other kinds of worksite health promotion and wellness programs. According to the U.S. Department of Health and Human Services, large and small employers can expect a positive return on their EAP investments.<sup>28-30</sup>

### ◆ Key Fact

Research shows that for each dollar invested in an EAP, the average **return on investment is between \$3 and \$10**. EAPs can reduce sick leave use by 33%, work-related accidents by 65%, workers' compensation claims by 30%, lost time by 40% and grievances by 50%.<sup>1,2,10,26,27</sup>

## Human Capital Return on Investment

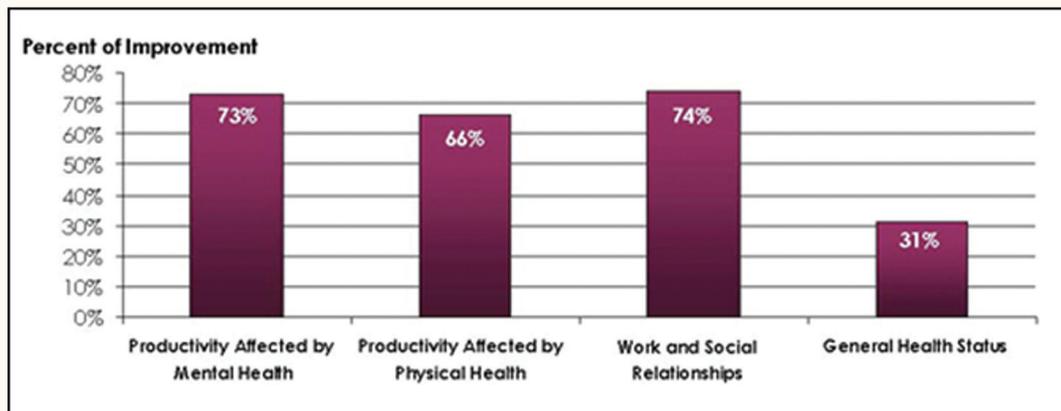
The Human Capital component is often the largest area of financial savings. It represents estimated savings based on the avoidance of unscheduled time off for employees (absenteeism), the cost of less than full effort while employees are on the job (presenteeism), and the costs to replace employees when they are not meeting job expectations.<sup>10</sup>

A study of Chevron's EAP found an increase in retention and a reduction in turnover. The study showed that problem employees referred to the EAP were 37% - 46% less likely to be terminated, with savings of \$50,000 per case for avoided turnovers.<sup>39</sup>

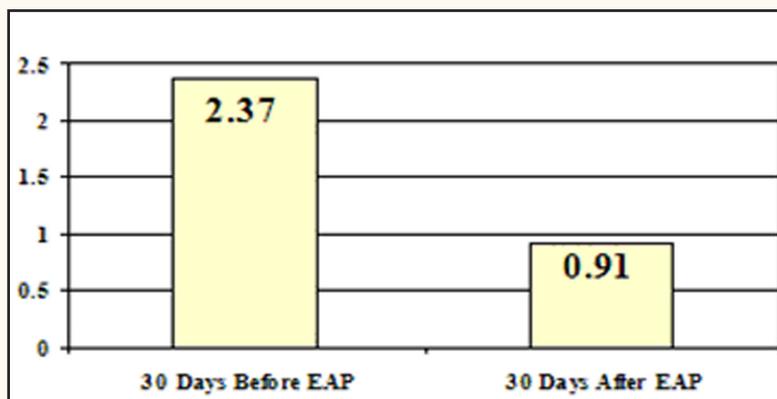
### ◆ Key Fact

An employee suffering from depression or anxiety **loses 2.2 hours of productivity per workday** due to his/her illness.<sup>51</sup> Researchers estimate that 181 million workdays are affected by productivity decline, costing employers \$12 billion each year.<sup>4</sup>

The EAP for the Federal Occupational Health (FOH) program, that supports federal government agencies in the United States, did a study of EAP outcomes based on almost 60,000 clients. The study examined the extent of client improvement in workplace performance, and overall health and functioning. FOH found that the number of people who reported having a lot of difficulty performing work before beginning the EAP, was reduced significantly after concluding EAP sessions. Those who reported little or no difficulty performing work increased greatly after using EAP. The clients' perception of their own health status increased after using the EAP, even though the EAP does not directly address physical health issues.<sup>36</sup>



Probably of greatest interest is the reduction in unscheduled absenteeism and tardiness after using the EAP. When beginning EAP counseling, clients reported an average of **2.37 days** of unscheduled absences or tardies in the prior 30 days. At the end of EAP sessions, clients reported being unexpectedly absent or tardy an average of .91 days in the previous 30 days. This represents a **62% drop in average lost time away from work.**<sup>10</sup>



Number of Unscheduled Absences Before and After EAP Intervention

◆ **Key Fact**

A prospective cost-benefit estimate of **Federal Occupational Health (FOH)** EAP services showed that for every \$1 spent on the EAP, the expected savings for the first year would be \$1.27, rising to \$7.21 by the fifth year.<sup>36</sup>

## Medical and Disability Claims Savings

The health claims component represents the estimated savings from reducing costs of medical and disability claims, as a result of services provided by EAPs. One goal of the EAP is to provide early intervention to employees that are in need of assistance. Early intervention often gives employees the opportunity to resolve escalating problems before they further impact overall health, thus mitigating potential health plan claims.

### ◆ Key Fact

It is estimated that 11%-36% of patients presenting at primary care settings have a mental illness.<sup>3</sup>

It is also important to understand the strong relation between mental well being and physical well being. Employees that are mentally healthy tend to be at lower risk for many physical conditions, such as heart disease, diabetes and cancer.

There is much research on how EAP reduces health care costs. The International Foundation of Employee Benefit Plans surveyed 185 benefit plan administrators about substance abuse services for multi-employer fund participants, and reported that employers with EAPs experienced:

- Reduced health plan costs for 66% of respondents
- Reduced disability costs for 49% of those surveyed
- Reduced workers' compensation costs for 41% of the respondents

Another important finding is that medical patients show increased rates of improvement when the medical care is combined with counseling and behavioral intervention. A study by the Portland State University School of Social Work found that medical patients who received counseling or psychotherapy showed a 77% decrease in length of hospital stay and 48% decrease in physician office visits.

### ◆ Research Highlight: EAP and Disability

A study from The Hartford Group (2007) shows that **employers with EAP services had better outcomes for short-term disability (STD) claims**. The study examined all companies in the Hartford book of business and compared the two companies with the highest levels of overall EAP use (about 11% annual EAP utilization rate) with companies that did not have any EAP. The results showed that disability claims for psychiatric concerns were 17 days shorter at the high-use EAP companies than at the non-EAP companies (56 days vs. 73). Similar findings were found for differences in shorter duration periods for musculoskeletal claims (55 days vs. 68) and cancer claims (45 days vs. 64). Another analysis compared the percentage of employees who returned to work after being on an STD leave. The employees who had used the EAP were about twice as likely to return to the workforce compared to employees who did not use the EAP (33% returned vs. 16%). The same study showed significant cost savings associated with disability claims: only 2% of employees using the EAP had a disability claim that converted to long-term disability (LTD) benefits, whereas 9% of those who did not use an EAP had gone on to use LTD benefits.<sup>37</sup>

## Organizational Benefits

The overall benefits an EAP provides an employer organization are often overlooked and under-valued. The organizational benefits represent the value of EAP services that are delivered at the organizational level. This includes educational programs and trainings, crisis services, and management and human resource consultations.

Employers typically focus on the counseling and behavioral intervention components of EAPs. This leads to the under-utilization of the various other high value organizational benefits that the EAP offers.

EAPs provide employers with many additional resources that are of great benefit to employers. These organizational benefits help employers:

- Attract and retain top talent
- Educate and train employees
- Manage alcohol and substance abuse cases
- Perform corrective coaching for disruptive employees and managers
- Offer crisis support for traumatic events (such as bank robberies, workplace violence, employee deaths, etc.)
- Improve employee relations and morale
- Identify and manage issues, such as harassment and bullying before they escalate
- Develop leadership skills
- Develop and evaluate policy and procedures
- Reduce likelihood of workplace violence/safety risks
- Manage the impact of violence, injury and crisis, and facilitate a swift return to work after events
- Support disaster recovery and preparedness, and minimize disruption after such events
- Smooth adjustments to business changes
- Promote and support drug- and alcohol-free workplace policies/procedures
- Train and coach leadership to deal with complex emotional and cultural diversity

### ◆ Key Fact

“An EAP that is aligned with organizational values and vision will measurably enhance business operations, the overall employee experience and the community perceptions of the company. **A well-run EAP will provide a positive return on investment.**”

-EAP Workgroup (2007), National Business Group on Health

## Low Cost EAPs Provide Substantial Savings

The fees charged for EAPs are typically in the range of \$12 to \$40 per employee, per year. EAP fees are fairly stable in comparison with the large increases employers experience in other areas of employee health care benefits. EAP fees are based on anticipated and actual utilization of the program, and such usage varies by industry, size of employer, and program model.

In comparison to the low cost of an EAP, recent national studies (over 3,000 employers of all sizes were surveyed) found that US companies paid an average total health benefit of \$7,983 per employee.<sup>15</sup>

When compared to the cost of health benefits, the cost for an EAP represents less than a third of 1% of the total employee health care benefit spent at most companies.

EAPs are one of the smallest areas of all employee benefits costs with the potential for very large savings. The “business case” for an EAP is further justified when this comparison is made. For a relatively low cost in perspective to overall health plan investment, an employer can receive a substantial return on investment.

While much research has been done to calculate the return on investment for an EAP, it is also important to consider the benefits that cannot be given "hard" numbers. Employers must understand that the overall well being of employees and family members may have no numeric measure, but is of inestimable value.

Employers must ask, “What is it worth to the company to keep a family intact? What is it worth to the company to save an employee’s job? What is the value of supporting an employee or member out of drug addiction or alcoholism?”

When employees receive employer support, the loyalty, gratitude, and commitment that is given back to the company may not be measured financially.

### ◆ Key Fact

“For every dollar that an employer invests in an EAP, there will be a \$3 savings; when employees are referred by their supervisors due to poor work performance, returns significantly increased to \$13 for every dollar invested.”

-Masi Research Consultants, based on their study with the federal government, Merrill Lynch & Co. and the National Fire Protection Association

## Summary of Key Findings

Behavioral problems substantially impact an employer's "bottom line." Employers are unnecessarily losing billions of dollars due to the direct and indirect costs related to the emotional health of their employees.

An EAP is a low cost tool that can help employers mitigate this substantial financial risk.

As part of an overall health benefit, risk management strategy, and human resource preservation, an EAP will encourage employees and their families to seek early professional intervention. This will reduce the potential of continued challenges, and escalation of the underlying problem, which in turn may result in costly, long-term treatment and/or job disruption. The EAP is intended to provide help for any personal problems that may adversely affect an employee's health and/or job performance.

EAPs are designed to:

- Reduce absenteeism
- Reduce presenteeism
- Improve overall employee and family health
- Offset or contain increasing health care costs
- Increase employee loyalty
- Lower disability and workers' compensation claims
- Educate and support management and human capital

### ◆ Key Fact

Mental illness and substance abuse disorders (as a group) are a major cause of both short- and long-term disability in the private sector. In fact, these disorders (as a group) are the fifth leading cause of short-term disability and the third leading cause of long-term disability in the United States.<sup>11</sup>

The EAP makes business sense. When employees experience depression, anxiety, stress, family problems, or any other behavioral or substance abuse issue, their work performance is impacted.

Research studies consistently show that EAPs provide high levels of user satisfaction, significant clinical symptom relief, substantial improvements in work productivity, reductions in absenteeism, and decreased health plan, disability, and workers' compensation claims.

EAPs are shown to provide substantial return on investment for a minimal cost. Return on investment numbers range from \$3 to \$15 dollars for every dollar spent.

In business, the "bottom line" means more than the traditional idea of financial success. In today's changing economy, employers are faced with many financial challenges. Employers need to explore new ways of increasing profits and containing ever increasing health care costs. EAPs provide employers a proven solution to offset and contain the hidden costs related to behavioral and emotional health. Financial success in today's workplace depends on resilient, motivated, productive and healthy employees.

## About Behavioral Healthcare Options (BHO)

BHO has more than **19 years** of experience providing employee assistance, work/life, wellness, disability, management and behavioral health care programs. We currently serve more than **1.1 million lives** in the United States, with over **200,000 Nevada lives** covered by our EAP services. BHO is accredited by the Utilization Review Accreditation Commission (URAC). Additionally, BHO is compliant with the National Committee for Quality Assurance (NCQA) for meeting its high standards in the areas of patient safety, confidentiality, consumer protection, access, services, and continuous quality improvement.

BHO utilizes knowledge obtained from years of experience of providing “best in class” programs, and shares these best practices with our partner organizations.

Inherent in our philosophy are the following tenets:

- Provide exceptional, accessible services
- Adhere to evidence-based best practices and clinical integrity
- Exceed customer and provider expectations
- Perform continuous quality improvement initiatives

Our mission is to provide comprehensive, accessible and cost effective programs designed to meet employers’ unique needs, while improving the overall work/life wellness of employees and family members.

- BHO partners with organizations on an individual basis to develop a customized “best in class” program
- In our opinion, one size does not fit all
- We encourage dialogue and discussion as part of our program development
- We serve as a proactive consultant in analyzing your unique needs, and we design the “best fit” solution from BHO’s range of services

BHO is uniquely positioned to be your provider of choice. For further information, please contact:

Justin Crail  
Director, Business Development  
(801) 289-6009  
Email: [justin.crail@bhoptions.com](mailto:justin.crail@bhoptions.com)

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