

**Employee Assistance Professionals Association
Upper Midwest Chapter Meeting
January 2004, Golden Valley MN**

**Making the Business Case for
EAPs and Work/Life**

Mark Attridge, PhD, MA

Optum

(763) 797-2719

mattridg@uhc.com

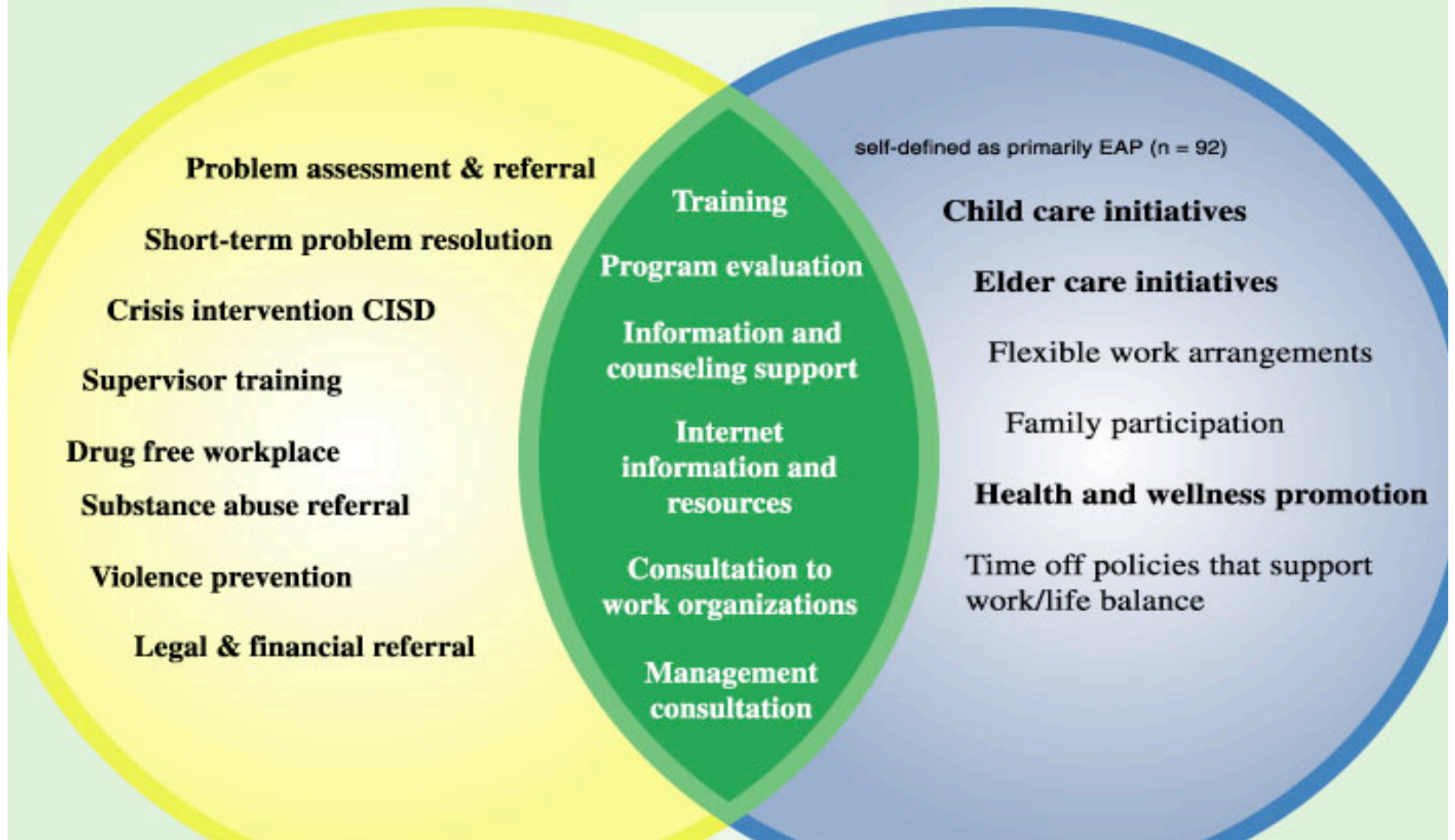
About the Speaker

- **MARK ATTRIDGE**
- **Minneapolis, MN**
- **Principal, Research and Consulting at Optum**
- **Chair, EAPA Research Committee**
- **Science Merit Reviewer, National Registry Effective Prevention Programs Workplace Div. SAMHSA**
- **Ph.D. in Social Psychology from University of MN**
- **M.A. in Communication from University of WI**

Business Value Question 1

Why EAP and Work/Life?

National Survey of EAP & Work/Life Professionals



EAP & WL Integration at the Provider Level

2001 Survey of EAPA EASNA AWLP Members

Internal Providers

N=433

***About 1/2* are in organizations with both EAP and Work/Life services (of these, more than half are “integrated”)**

52% of Internal EAP and 70% of Internal Work/Life programs also use external vendor services

External Providers

N=517

***About 1/3* are a provider of both EAP and Work/Life services (either directly or subcontracted)**

40% of External providers also partner with other EAP or Work/Life vendors for services

The Evolution of Work-Life Initiatives

1980	1985	1990	1995	2000
<p>Dependent Care Focus</p> <p>Flexibility in work arrangements</p> <p>Work environment</p> <p>Work Process Redesign</p> <p>Community Connection</p>				
<p><u>DEMOGRAPHIC DRIVERS</u></p> <ul style="list-style-type: none"> -Women enter the workforce -Women enter professions -Women enter mangament 				
<p><u>Business Drivers</u></p> <ul style="list-style-type: none"> -Mergers and acquisitions 				
<ul style="list-style-type: none"> -Dual income households -Working mothers 	<ul style="list-style-type: none"> -Working fathers -Sandwich generation -Generation X 	<ul style="list-style-type: none"> -Aging population -Single parenting -Global multiculturalism 	<ul style="list-style-type: none"> -Backlash of non parents -Retirement trends -Birth rate 	
<ul style="list-style-type: none"> -TOM, continouious improvements -Global market -Cost controls 	<ul style="list-style-type: none"> -Downsizing/delaying/reengineering -Cross-functional teams -Customer focus -Managing change 	<ul style="list-style-type: none"> -Intellectual capital -War for talent - e-commerce 	<ul style="list-style-type: none"> -Human capital mang. -Global recruiting -Slow growth 	

Business Value Question 2

**How Do You Define
Your Value to
Your Customers?**



Companies with Documented EAP Outcomes and Cost Benefit

- Abbott Laboratories
- Campbell Soup
- Chevron
- Crestar Bank
- Detroit Edison
- Dupont
- IBM
- Los Angeles Water & Power
- Marsh & McLennan
- McDonnell Douglas
- NCR Corp
- New York Telephone
- Orange County, FL
- So. California Edison
- US Postal Service

Companies with Documented Work/Life Outcomes and Cost Benefit

AT&T

Baxter Health Care

Deloitte & Touche

DuPont

Eli Lilly

First Tennessee Bank

IBM

Johnson & Johnson

JP Morgan Chase

Marriott International

Merrill Lynch

Motorola

Northern Trust

Xerox

“Best” Companies Attract and Retain

2X applications

Companies on “100 Best” lists receive nearly twice as many unsolicited employment applications

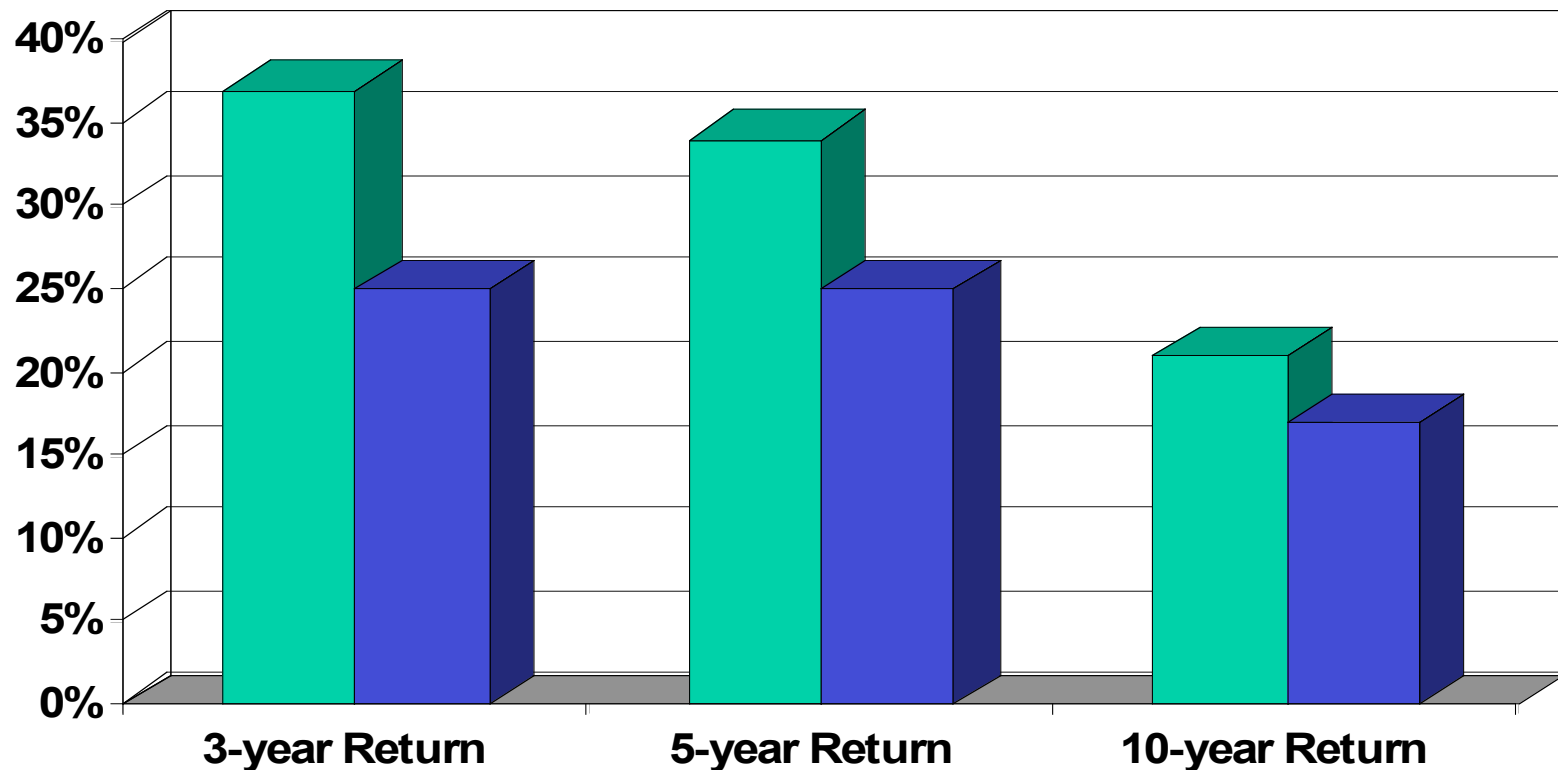
1/2 turnover

Companies on “100 Best Lists” have half the voluntary turnover rate for all employees (13% vs. 26%)

Hewitt study reported in National Report on Work and Family, 2001

“Best” Companies More Profitable

100 “Best” Companies have higher stock market returns over short-term and long-term vs SP500 average.



*the 49 “best” companies that have been publicly traded for 10 years

Fortune, 1/10/2000

Business Value Question 3

**Does the Research Literature
Support Business Value of
EAP and Work/Life?**

Reviews of Research on Effectiveness and Cost-Benefit of EAP Services

- Mastrich, J. & Beidel, B. (1987). Employee assistance programs cost-impact. The Almacan, June, 34-37.
- Yandrick, R.M. (1992). Taking inventory. EAPA Exchange, July, 22-29.
- Blum, T.C. & Roman, P.M. (1995). Cost-Effectiveness and Preventive Implications of Employee Assistance Programs. Rockville, MD: U.S. Department of Health and Human Services.
- Attridge, M. (2003). Making the Business Case for Employee Assistance Programs: Annotated Bibliography of Key Research Studies. Presented at the Employee Assistance Professionals Association North Carolina 24th Annual Training and Annual Conference, Charlotte, NC.

Research on Effectiveness / Cost-Benefit of Mental Health Services

Landmark review study that examined over 300 meta-analysis papers (each paper itself a review of other many original studies) – see Lipsey, M.W. & Wilson, D.B. (1993). The efficacy of psychological, educational, and behavioral treatment confirmation from meta-analysis. American Psychologist, 48 (12), 1181-1209.

Seligman, M.P. (1995). The effectiveness of psychotherapy, American Psychologist, 50 (12), 965-974.

Shemo, J.P. (1985). Cost-effectiveness of providing mental health services: The offset effect. International Journal of Psychiatry in Medicine, 15 (1), 19-31.

Miller, N.E., & Magruder, K.M. (Eds.), (1999), Cost-effectiveness of psychotherapy: A guide for practitioners, researchers and policymakers. New York: Oxford.

US Surgeon Generals 1999 Report on Mental Health (see web page)

The Business Case and Your EAP

- **“The larger issue is not *whether* EAPs are cost-effective, but *which* EAPs are.”**
- **Ken Collins. “EAP Cost/Benefit Analyses: The Last Word.” in EAPA Exchange (2000 Nov/Dec, p. 31).**

Work/Life Research Evidence

- National Study of The Changing Workforce, conducted by Families and Work Institute - Released in Sept. 2003
 - Current study is the third study (previous studies 1992, 1997).
- One out of three workers is experiencing one or more symptoms of clinical depression and coincidentally it is the same number of people who are feeling overworked.
- More employees are experiencing high levels of interference from work and home

Work/Life Research Evidence

- Employees reporting significantly better mental health have the most worklife supports in place and they experience:

More control over schedule

More access to flexible work arrangements

More supportive managers and supervisors

More supportive organizational culture

77% of those who experience their culture as being supportive say it is highly likely they will still be working at the company next year, compared with 41% who don't.

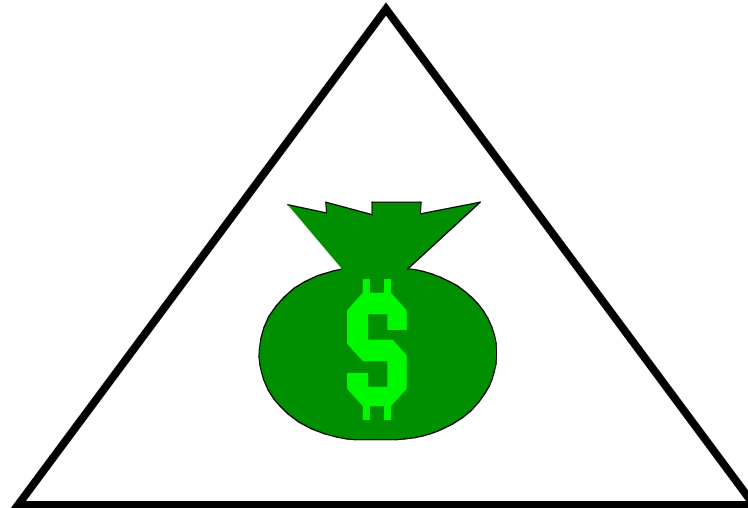
Business Value Question 4

**What Conceptual Model
Do You Use to Define the
Business Value
of EAP and Work/Life?**

The Value Triad : A General Consulting Model

Organizational

**Health
Claims**



**Human
Capital**

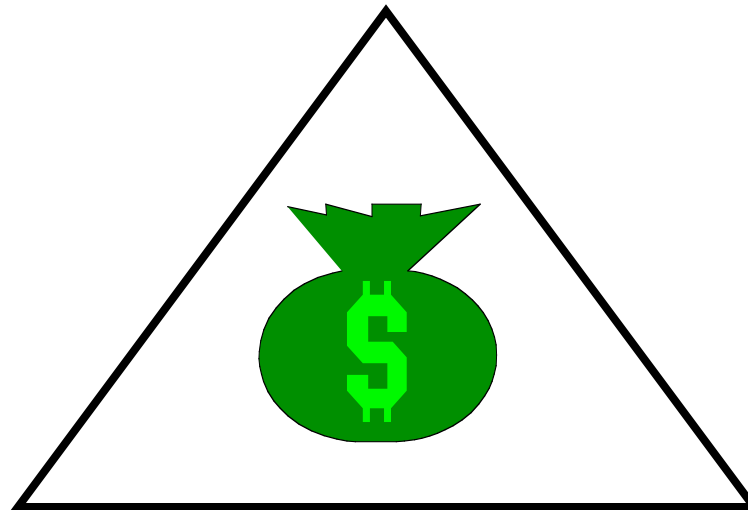
The Value Triad: A New Conceptual Model

- Attridge, M. (2002 October). EAP outcomes and ROI. A full-day workshop for EAPA Professional Development Institute. Employee Assistance Professionals Association Conference, Boston, MA.
- Attridge, M. (2003, March). Making the Business Case for EAPs (Plenary & Workshop), Employee Assistance Professionals Association - North Carolina Conference.
- Attridge, M., Amaral, T., Hyde, M. (2003, April). Making the Business Case for Organizational Assistance. Employee Assistance Society of North America Conference. San Antonio, TX.
- Amaral, T., & Attridge, M. (2003, October). Making the Business Case for Employee Assistance Programs. Technology Systems Inc Professional Workshops - Chicago and Baltimore.
- Attridge, M. & Amaral, T. (in-press). The EAP Business Value Model. EAPA Exchange OnLine.
- Attridge, M., Amaral, T., Hyde, M. (2003). Completing the Business Case for EAPs. Journal of Employee Assistance, 33 (3), 23-25.

The Value Triad : Human Capital

Organizational

Health
Claims



Human
Capital

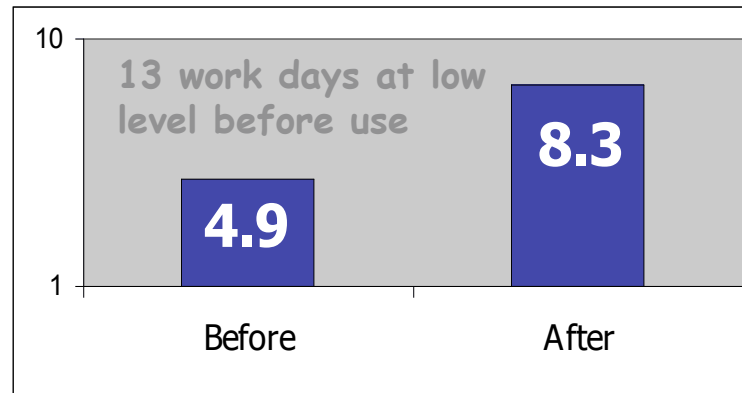
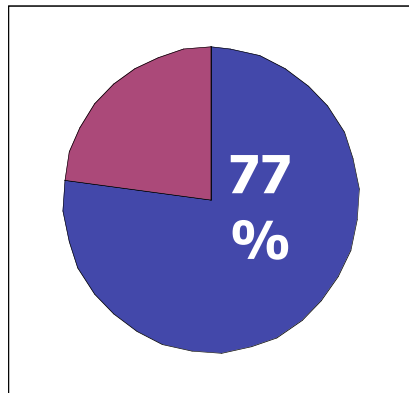
The Value Triad : Human Capital

- **EAPs can help maximize the organization's investments in human capital - the people who work for the company**
- **Human Capital Components:**
- **1) Employee Job Performance**
- **2) Employee Absenteeism**
- **3) Employee Retention**

Evidence for Productivity Value

% who improved Productivity Rating Scale: 1 low to 10 high

Optum
EAP
Counselor
Survey
N > 6,000
1999

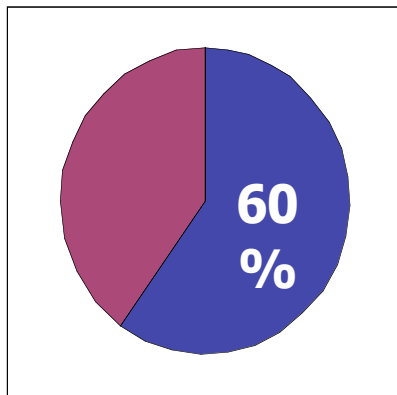


**Of the 77% of employees with improved work productivity,
the average gain in productivity was 41% (4.9 to 8.3)**

Cite: Otis, Attridge, Riedel, 2000, Benefits Expo

Evidence for Absenteeism Value

Optum EAP Counselor Follow-up Survey N > 6,000
1999 Data



60% of employees reported that use of Counselor service helped to avoid taking time off from work.

13.9 hours of work loss avoided per case

Cite: Otis, Attridge, Riedel, 2000, Benefits Expo

Optum Study of Human Capital Outcomes from EAP Services

•**CITE:** Attridge, 2002, American Psychological Society

•**STUDY DESIGN:** Independent follow-up phone survey of nationwide random sample of clients of 3 common EAP services:

- Face to Face EAP Counselors
- Telephone EAP Counselor
- Consultants for Legal/Financial

•Large sample size N > 2,500

•External EAP Vendor Model

•KEY RESULTS

•All three client types had similar workplace outcomes, but consultants slightly lower

•EE with Improved Productivity:

55% Face to Face

56% Telephone

36% Consultants

•EE with Avoided Time Off Work:

40% Face to Face

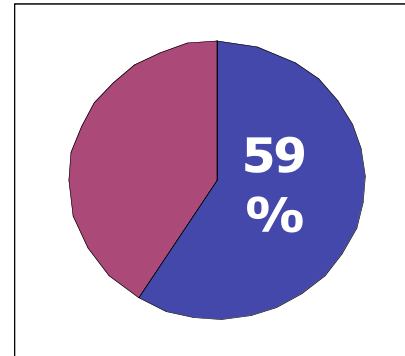
37% Telephone

39% Consultants

Evidence for Turnover Value

EMPLOYEE RETENTION:

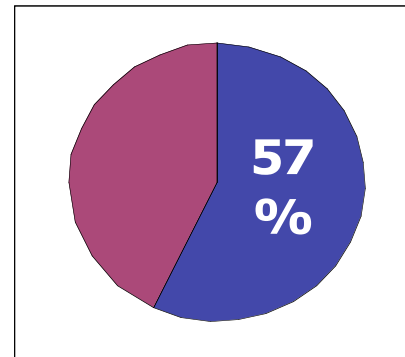
I am more likely to continue working for my current employer because they offer this EAP service



% Agree

EMPLOYEE RECRUITMENT:

Having this EAP service as a part of employee benefits helps my company to recruit new employees



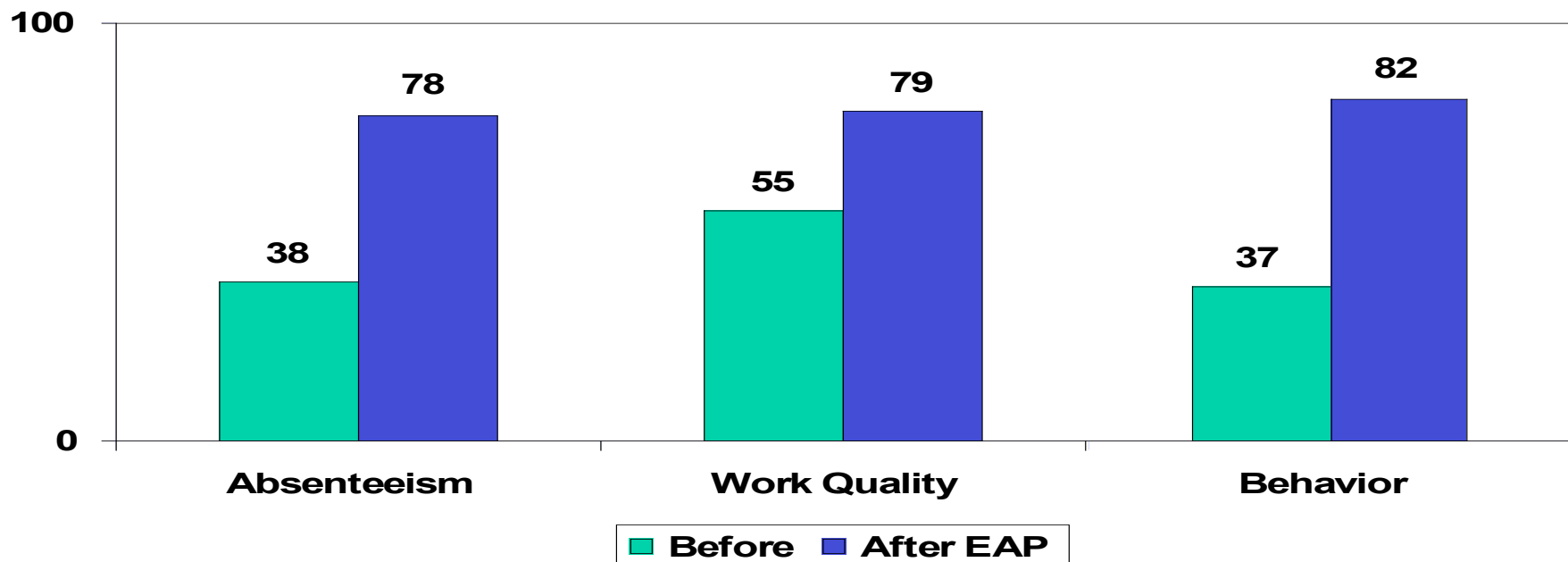
% Agree

Cite: Otis, Attridge, Riedel, 2000, Benefits Expo

Survey Data: Manager Ratings of EAP Clients

Supervisor Ratings of Employee's Performance Before and After Supervisory Referral to EAP (% rated well or satisfactory)

Study: Jardine & Lieberman (1993), Behavioral Healthcare Tomorrow



Detroit Edison EAP Study: Company Data

•**CITE:** Nadolski & Sandonato, 1987, J. Occupational Medicine

•**STUDY DESIGN:** Company records of lost time, medical claims, accidents, discipline, productivity referrals

•**EAP users N = 67**

•**No Control Group**

•**Time periods of 6 months before EAP compared to 6 months after**

•**KEY RESULTS**

•**Pre vs Post EAP Use =**

•**29% fewer lost work days**

•**fewer discipline problems**

•**fewer accidents**

•**fewer productivity problems**

McDonnell Douglas EAP Study with Alexander & Alexander Consulting

•**CITE: Smith & Mahoney - Unpublished, 1990**

•**STUDY DESIGN: Company records of absenteeism and medical claims data**

•**EAP vs Control Group of chem/dep and psychiatric claimants non-EAP users**

•**Time periods of 4 years before and 4 years after first year of EAP use**

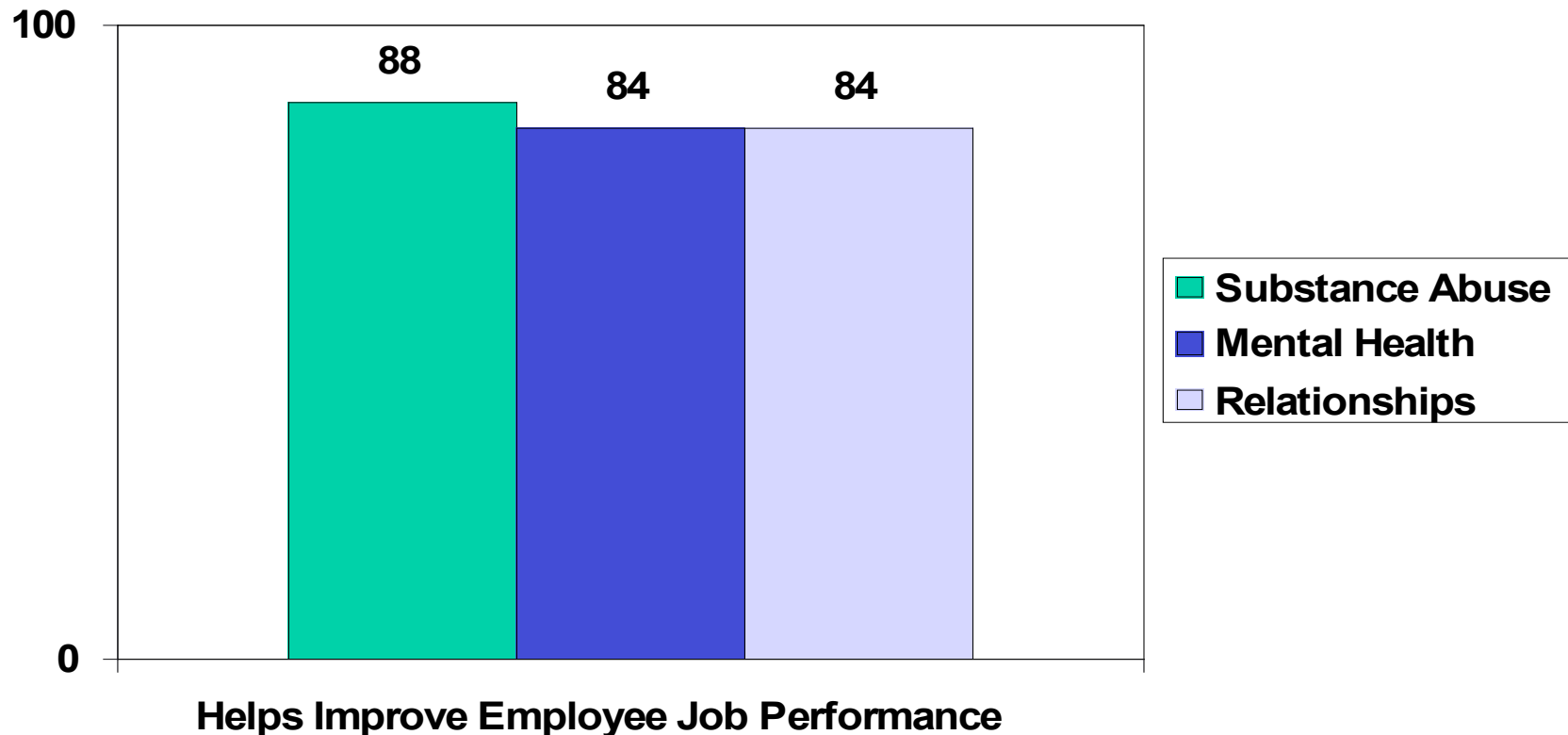
•**KEY RESULTS**

•**Total over 5 years after use:**

•**Absenteeism: EAP 25% to 29% fewer days lost**

•**Turnover: EAP 42% to 28% fewer terminated**

Benefits Managers Perceived Impact of EAP Services on Job Performance



Source: 1996 national survey of 473 Companies. Attridge, [APA/NIOSH](#).

Benefits Managers Perceived Impact of EAP Services on Employee Turnover

International Foundation of Employee Benefit Plans – Survey Results May 2000: Substance abuse services for multiemployer fund participants. Survey sample of 185 benefit plan administrators.

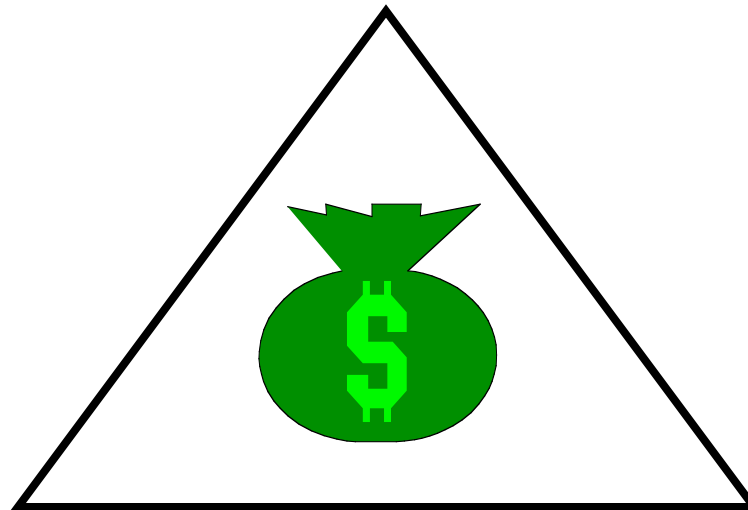
57% = Yes

for EAP reduced employee turnover and job loss.

The Value Triad : Health Claims

Organizational

Health
Claims



Human
Capital

The Value Triad : Health Claims

- **EAPs can help reduce overall claims costs**
- **Three Kinds of Claims:**
- **1) Total Health Care Costs**
Medical Outpatient & Inpatient
Mental Health/Chemical/Substance Outpatient
and Inpatient
- **2) Disability (STD/LTD)**
- **3) Workers Compensation**

McDonnell Douglas EAP Study with Alexander and Alexander Consulting

•**CITE: Smith & Mahoney -
Unpublished, 1989**

•**STUDY DESIGN: Company
records of absenteeism and
medical claims data**

•**EAP vs Control Group of
chem/dep and psychiatric
claimants non-eap**

•**Time periods of 4 years before
and 4 years after first year of
EAP use**

•**KEY RESULTS**

•**Total over 5 years after use:**

•**Medical: EAP \$7,150 to \$3,975
less costly**

Los Angeles Department of Water & Power EAP Study

- CITE:** Amaral & Phelps, 1996, EAPA conference

- STUDY DESIGN:** Company records of sick leave, STD claims data

- EAP users N = 115**

- No Control Group**

- Time periods of 1 year before EAP as comparison versus 2 years after start use**

- 2 kinds of estimation models**

•**KEY RESULTS**

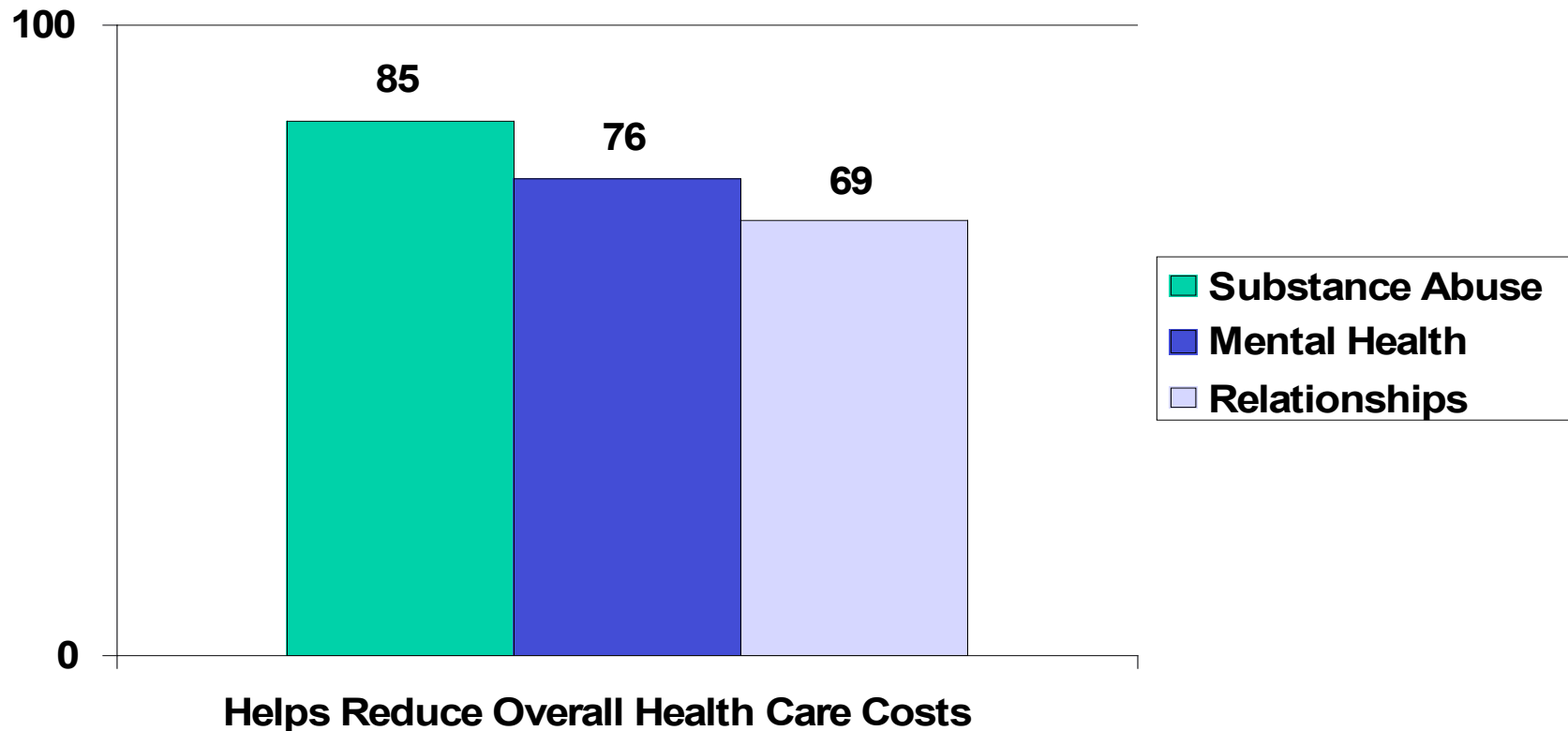
- Total \$1.2 to \$2.6 Million in savings for 2 years**

- NET = \$5,000 to \$11,000 per EAP study case per year savings**

- ROI = 22:1 to 51:1 for return vs investment costs of only study cases;**

- 2:1 to 4:1 if investment costs of all EAP budget**

Benefits Managers Perceived Impact of EAP Services on Claims Costs

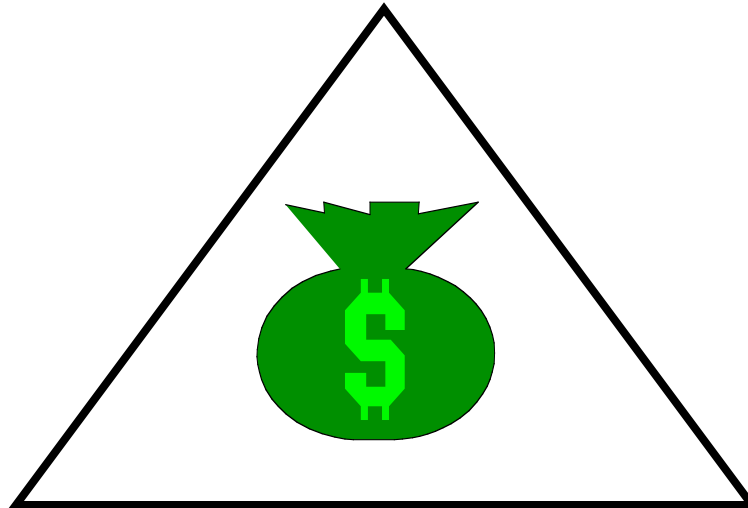


Source: 1996 national survey of 473 Companies. Attridge, [APA/NIOSH](#).

The Value Triad: Organizational

Organizational

Health
Claims



Human
Capital

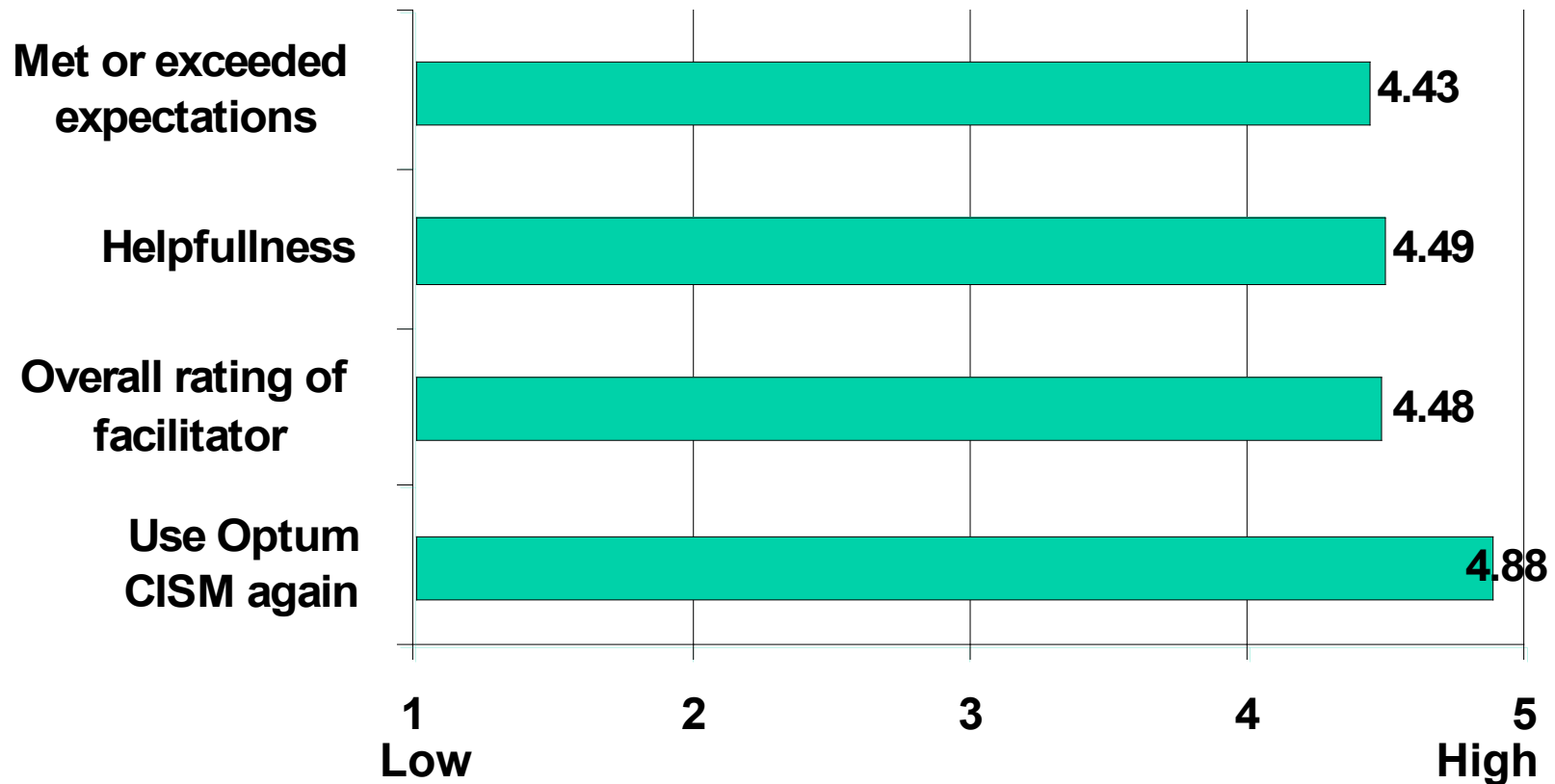
The Value Triad: Organizational

- **EAPs manage risk for the organization**
- **Organizational Components:**
 - 1) Crisis (CISM or CISD services)
 - 2) Management Consultation & OD
 - 3) Educational Programs and Training

Organizational: Crisis Services

- Everly, G.S., Flannery, Jr., R.B., Eyler, V., & Mitchell, J.T. (2001). Sufficiency analysis of an integrated multicomponent approach to crisis intervention: Critical Incident Stress Management. Advances in Mind-Body Medicine, 17, 160-196. Research review of published literature showing effectiveness of CISM services.
- Flannery, R.B. (2001). The assaulted staff action program (ASAP): Ten year empirical support for critical incident stress management (CISM). International Journal of Emergency Mental Health, 3, 5-10. Review of many empirical research studies on the effectiveness of CISM services for helping employees in schools and hospitals cope with on the job violence and trauma.
- Gemignani, J. (2001). When behavioral health benefits count. Business & Health, Nov/Dec, 43-44. Editorial review of how EAPs can help employees deal with trauma and crisis, the nature of post traumatic stress disorder, and the potential for medical saving costs by EAPs referring employees for access to proper mental health treatment for depression and PTSD.

Manager Evaluation of CISM Services: Average ratings from 135 Events from years 2000-2001



Cite: Attridge et al, 2002, American Psychology Society

Research on Management Consultations

Evaluations of Management Consultation (MC) Services: Optum survey data from supervisors (N = 73)

Parker, M., White, N.L. & Hietala, C. (2002). Helping managers manage workplace crises: The results of Optum management consultation evaluation surveys. *Acta Academia*, 176-182.

- **70% MC helped to better understand and respond**
- **93% overall satisfied with MC service**
- **92% would recommend MC to other managers**
- **94% rate MC service as very valuable or valuable**
- **Outcomes of improved employee productivity, absenteeism, morale and safety**

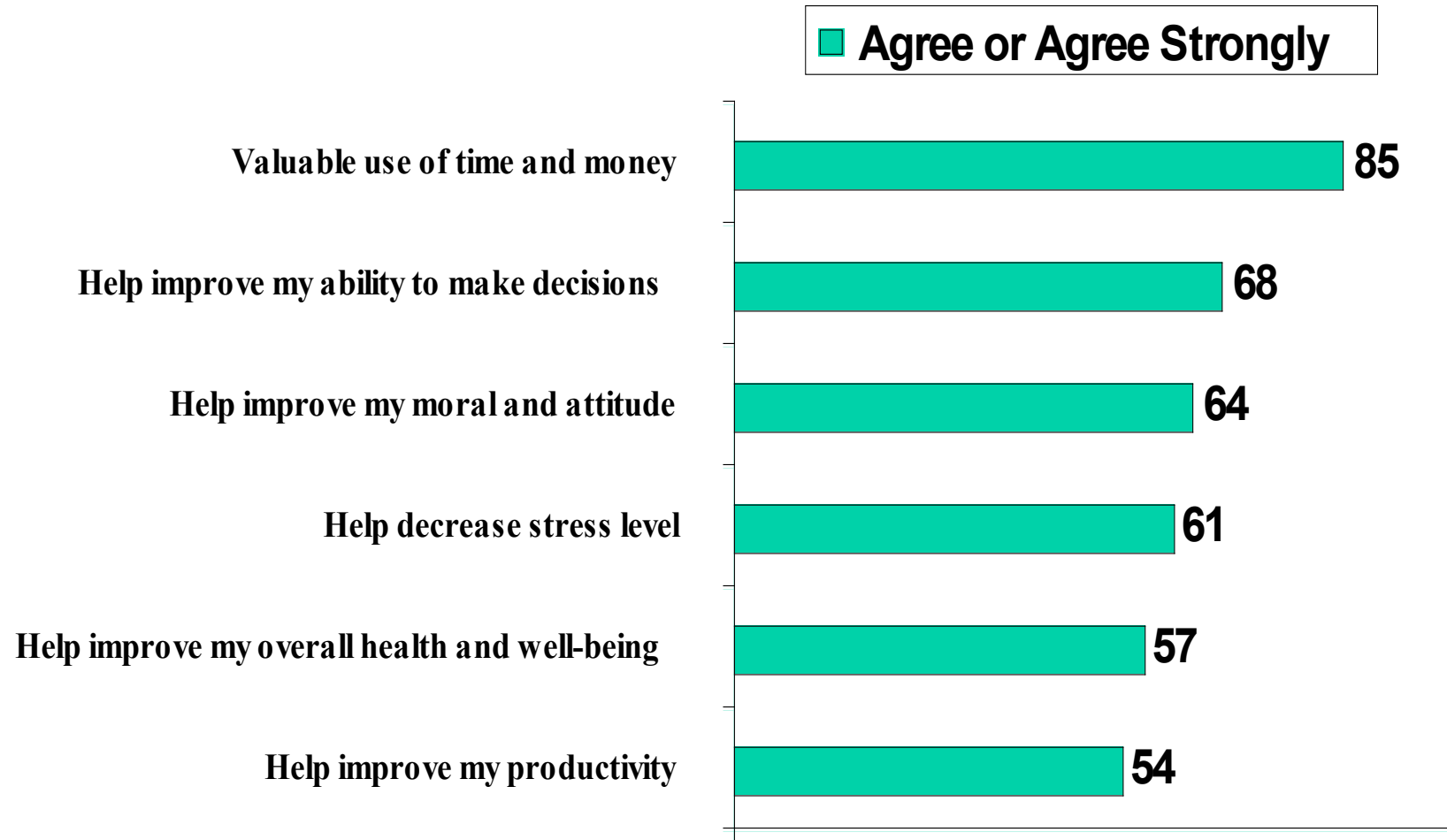
Research on Organizational Development

- **EAP staff consultation with human resources and other departments on employee health policy and design of programs and services**
- **EAP staff role in managing organizational change and company downsizing processes**
- **EAP staff assist with leadership development and executive coaching services**

Outcomes and ROI Research is lacking for EAP organizational development services

Business Value of Worksite Trainings

Optum EAP 1999 N > 3,500 Employees in 190 Trainings
Attridge, EAPA, 1999 Conference

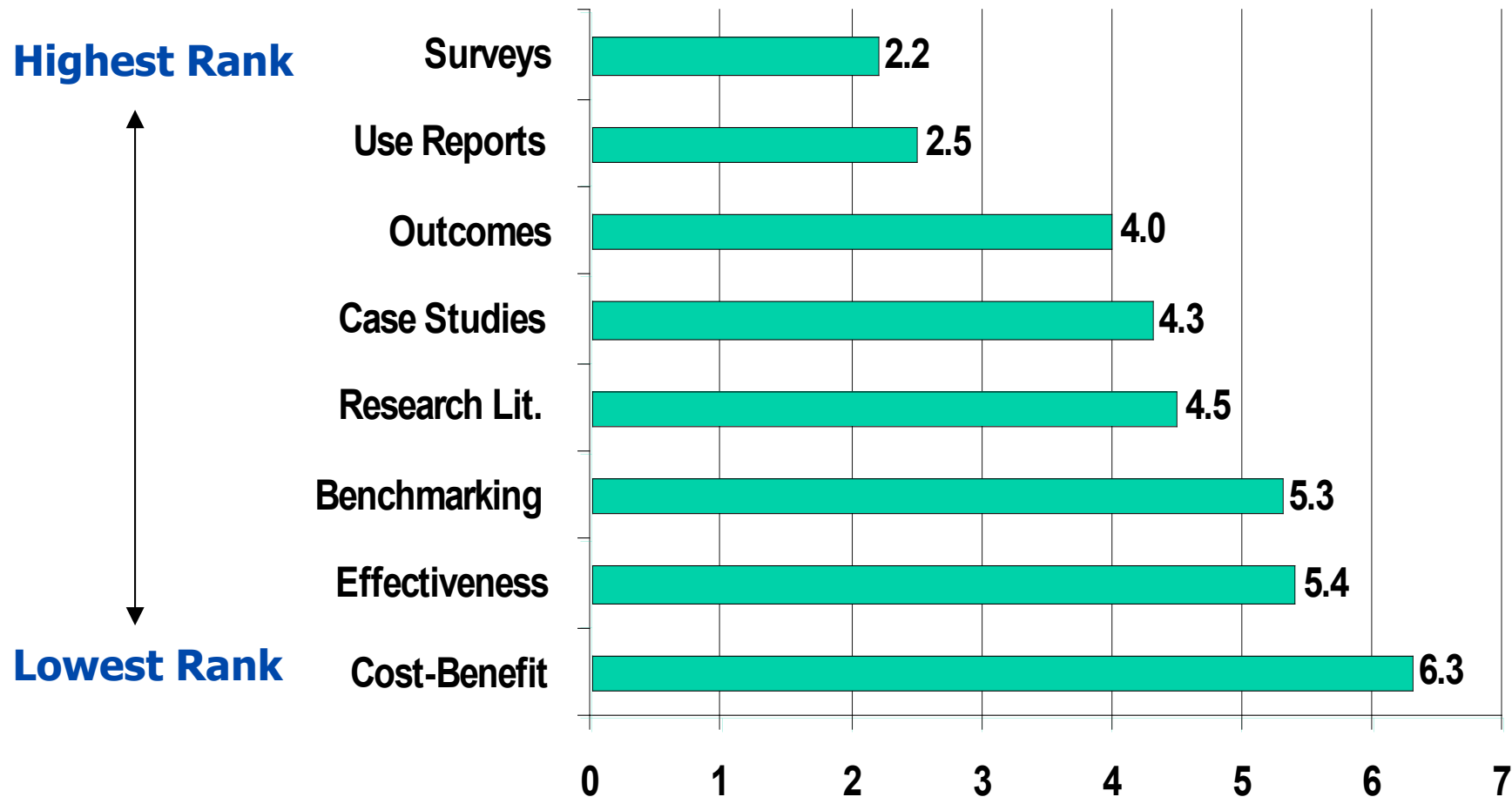


Business Value Question 5


**How do You
Measure
Value?**

Plans to Use Value Demonstration Strategies in Next Year

Rank Order: 1 Most Likely to 8 Least Likely
(N = 23 EAP Business Case Workshop Participants Fall 2002)



ROI Math: Source Code for Calculating Return (Savings)

#		%		\$		=	
Number of EAP Services Used	X	Percent of Service with Outcome	X	Dollar Value per Outcome			

Dollar Value of Outcomes

- **\$ Value of avoided employee absenteeism**
- **\$ Value of avoided employee lost productivity**
- **\$ Value of avoided employee turnover**
- **\$ Value of avoided employee accidents and workers compensation claims**
- **\$ Value of avoided use of medical or mental health care services (use EAP staff instead)**
- **\$ Value of appropriate use of needed health care services for unrecognized hi-risk clients**

Absenteeism: EAP Example

39% of clients report avoiding missed time off

8.1 total hours reported as average amount of time off from work avoided per case with effect

* \$60 per hour value of absenteeism

\$20 hourly lost compensation value +

\$40 hourly lost productivity value (RCF of 2.0)

= \$481 per case with outcome (39% of cases)

= \$190 per average case

Absenteeism: W/L Example

100 days saved due to backup child care program

Calculation:

Salary @ \$8 /hour

Daily salary (\$8/hr x 8 hrs) = \$64/day

+ Benefits @ 30% of salary (\$19.20/day)

100 days saved x (\$64 + 19.20) = \$8,320

Productivity: EAP Example

28% of cases had a self-rated improvement in productivity

Average improvement effect size = 33% gain in level of performance
(average change from before use rating of 5 to after use of 8 on 1-10 scale)

Assume conservative effect duration of 2 weeks for additional period of productivity loss if EAP not been used

80 hours X 33% = 26.4 hours per case with effect

\$40 value per hour (Revenue Capacity Factor of 2.0 X \$20 compensation rate)

= \$1,056 per case with outcome effect (28% of cases)

= \$296 per average case

Productivity: WL Example

Sum of number of calls made for each case of
Work/Life Services during regular work hours

X average time per call

= productivity savings

If calls were not being made on employee's behalf
the calls would be made during the day at work.

The Full Cost of Turnover

- Direct costs of replacing an employee comprise 15% of the replacement cost
 - recruiting fees
 - interviewing costs
 - HR expense
- Indirect costs account for 85% of the replacement costs
 - lost efficiency as employee leaves
 - learning curve for new employee
 - work team inefficiency
 - supervisor time to hire, train, supervise new hire

"The Price Tag of Turnover", J. Douglas Phillips Personnel Journal December, 19 90

Turnover Dollar Value

- Turnover cost is 1.5 times annual salary for exempt employees
- Turnover cost is .75% of the annual salary of non-exempt employees.

Turnover Cost Savings Example

8 employees retained (3 salaried and 5 hourly)

Calculation

Salary + benefit cost

Salaried \$70,000 + \$21,000 (benefits @ 30%) = \$91,000 x 1.5
= \$136,500 (cost of turnover for 1 salaried position)

3 salaried employees saved x \$136,000 = \$409,500

Hourly \$20,000 + \$6,000 (benefits @ 30%) = \$26,000 x 0.75
= \$19,500 (cost of turnover for 1 hourly position)

3 hourly employees saved x \$19,500 = \$97,500

Total turnover savings \$409,500 + \$97,500 = **\$507,000**

Outcome Size-Down Problem: Example

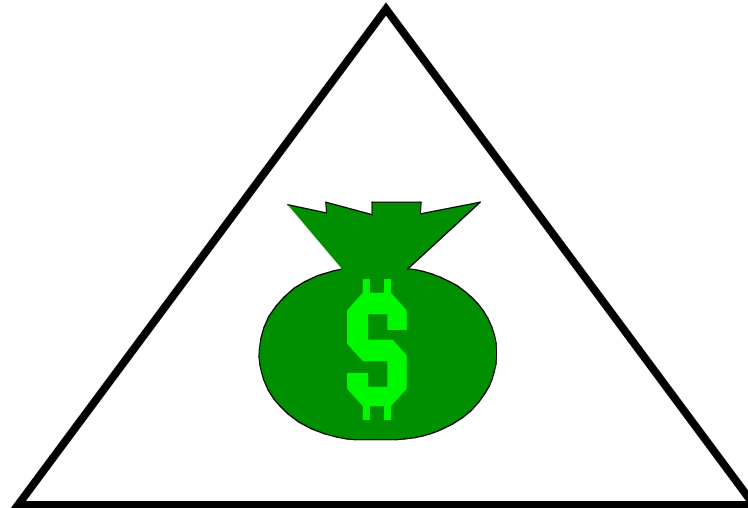
<u>Cases</u>	<u>Outcome Size-Down Level</u>
1000	1 - Covered Population
60	2 - Users of EAP (6%)
48	3 - Employee Users of EAP (80%)
36	4 - Type of Case Relevant to Outcome (75%)
18	5 - Rate of Outcome Effect Per User (50%)

Result = Instead of 60 cases, there are 18 (less than 1/3) who actually create the financial return

The Value Triad : A General Consulting Model

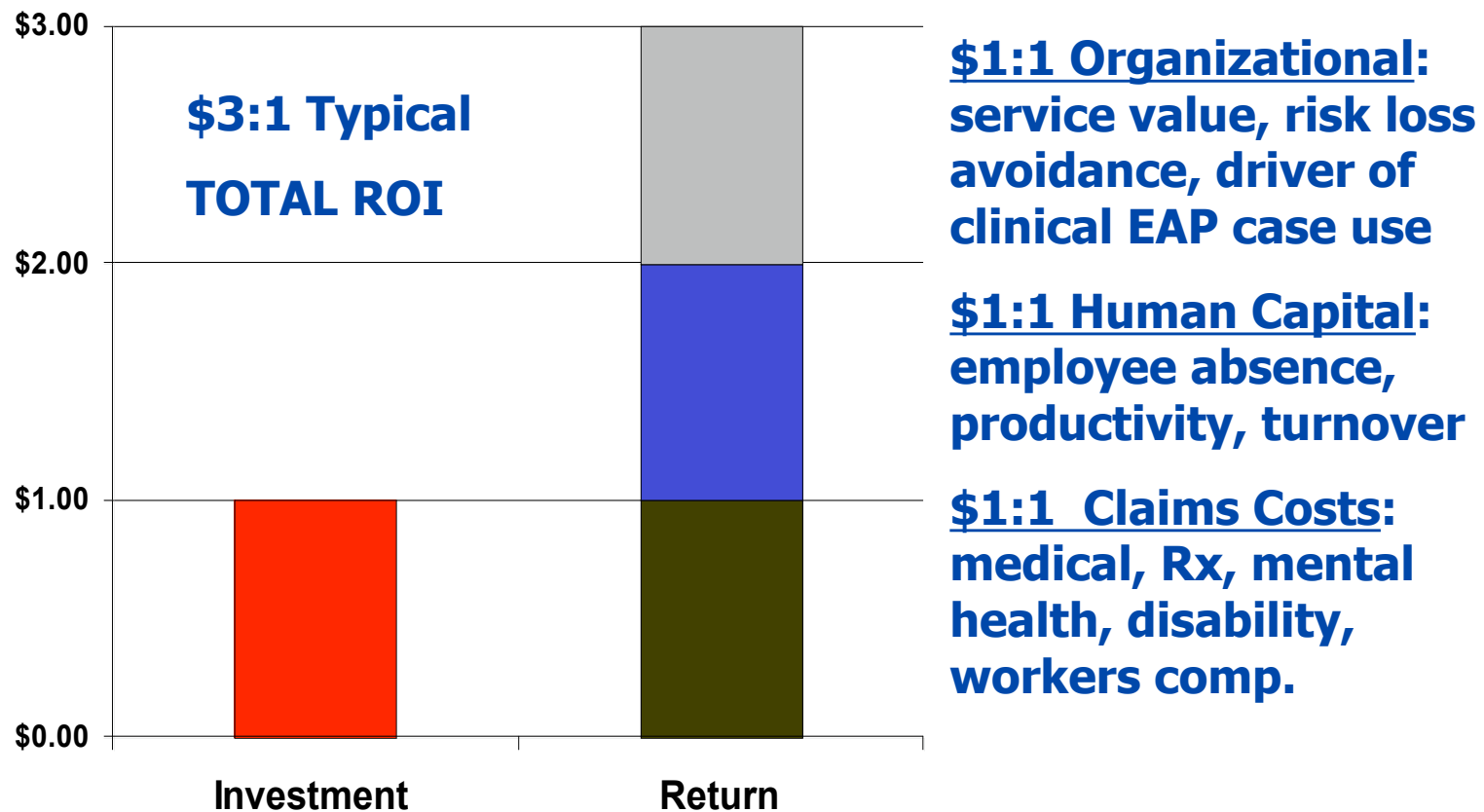
Organizational

**Health
Claims**



**Human
Capital**

Return on Investment (ROI) for EAP



Summary Recommendations

- **Need high awareness of service**
- **Understand the Use Level-Case Mix equation**
- **Measure outcomes for many kinds of users**
- **Consider multiple kinds of outcomes**
- **Create countable units of outcomes**
- **Collaboratively assign financial value to outcomes**
- **How do you get the customer to accept your business case results? (consultative step model)**
- **Create a Value Report**