EAP Improves Health Status and Productivity, and Demonstrates a Positive ROI

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Introduction

Employee assistance programs (EAPs) have evolved considerably from their post-WWII roots in occupational welfare and alcohol treatment programs, and their later focus on supporting mental health issues. Increasingly adopted by organizations over the last 25 years, EAPs have grown to serve an estimated 75% of North American businesses and continue to be an integral component of benefit plans.

The central tenet of EAPs is to support employees thereby improving individual and organizational performance. To do so, most EAPs offer a comprehensive scope of counselling and work-life services to help employees manage their health, work and life, while also continuing to act as a pillar for organizations in detecting and supporting mental health and addictions issues, as well as managing critical incidents.

The emerging challenge for organizations in a highly competitive economy, however, is to keep employees healthy or improve their level of health, to avoid absenteeism, and to help employees be engaged and more productive at work. Recognizing this fact, employers are asking more from their EAP; they are looking to the EAP provider to be a strategic partner in managing health and productivity.

Organizations are asking their provider of employee assistance to join their effort to integrate and manage benefits, as well as focus on health improvement, risk reduction and productivity enhancement. Furthermore, they are challenging their EAP provider to assist them in dealing with the financial impact of poor health, and show a clear return on their investment.

Research demonstrates that organizations expect their EAP to provide two key outcomes impacting their bottom line:

**Improved work performance** - It has been demonstrated that employees who use EAPs often experience positive changes in their work performance, such as being late or absent fewer days, having higher levels of work productivity, and improving their work team relations.
Cost savings - It has been demonstrated that EAP services can produce direct cost savings from reduced medical, disability, and workers’ compensation claims, especially for mental health disorders.

Based on a number of studies, these key outcomes have been shown to lead to an estimated Return on Investment (ROI) for EAPs in the range of 2:1 to 4:1.

One of the limitations of previous studies on the ROI of EAPs is the lack of information on employee productivity—known to be a major factor related to well-being and health status. This is largely because productivity is more difficult to measure, and even more challenging to translate into monetary figures. To address these issues and demonstrate the ‘real’ impact of EAPs on employees and organizations, Morneau Shepell recently added health status and productivity measures to the EAP pre/post questionnaire.

In this study, Morneau Shepell analyzed its EAP case data to determine the return on investment it is offering its client organizations. This analysis confirms that EAP intervention translates into a 25% reduction in health-related lost productivity costs for organizations, providing a 1 to 8 return on investment. Thus, our EAP intervention demonstrates a favourable impact on job performance, as well as a financial benefit to organizations.
Methodology

Health and productivity outcomes are incorporated into the standard clinical process for all Shepell-fgi EAP clients. For this study, Morneau Shepell gathered outcome data for 53,224 EAP cases which were opened and subsequently closed during 2010. The data is made up of self-reported measures which were collected at the point the case was opened and again following case closure. These measures were collected through a paper survey, and include responses from both employees and dependants covered by the EAP, across Morneau Shepell’s clientele.

Outcome Measures

Of the four outcome measures collected, two assessed health status (physical and mental), one measured absence, and one assessed lost productivity:

**Physical Health Status** - This item asked, “In general, would you say your health is ...” The response options were: (1) Poor, (2) Fair, (3) Good, (4) Very Good and (5) Excellent. Seventy-two per cent of cases included both pre/post physical health status measures and were included in our analysis.

**Mental Health Status** - This item asked, “In general, would you say your mental health is ...” The response options were: (1) Poor, (2) Fair (3) Good, (4) Very Good and (5) Excellent. Seventy-two per cent of cases included both pre/post mental health status measures and were included in our analysis.

**Productivity** - This item asked “Please indicate in the past four weeks that the problem that brought you to an EAP interfered with your ability to do your job.” The response options were: (0) None at all, (1) Slightly, (2) Moderately, (3) Quite a bit and (4) Extremely. Sixty-four per cent of cases included both pre/post productivity measures and were included in our analysis.

**Absenteeism** - This item asked, “During the past four weeks, how many working hours have you been absent, late, or left early, not including vacation?”, to which participants indicated the number of days absent. Fifty-four per cent of cases included both pre/post absenteeism measures and were included in our analysis.
Applying Outcome Measures to Demonstrate Impact

Health status, both physical and mental, is an important marker of the impact of ill health or disease on one’s functioning. An average score was established for both physical and mental health, based on the responses provided to the respective questions (ranging from 1 to 5). By measuring health status at two distinct times—pre- and post-EAP intervention—the impact of EAPs on health status was established.

An average productivity score was established, with responses to the productivity question (ranging from 0 to 4) converted into a per cent of associated productivity loss, where each score of 1 represents an associated 25% loss of self reported productivity. To quantify this figure in dollars, the estimated per cent of productivity loss was also multiplied by the Canadian labour force average salary of $51,750. Productivity lost and costs prior to EAP intervention were then compared to the same measures using post-EAP intervention data.

The average number of days absence per month was established, and then converted into an annualized figure. The same average salary was used to quantify the cost of absenteeism. The number of self-reported days lost per employee per year, and the related cost, prior to EAP intervention was then compared to the same measure using post-EAP intervention data.

Productivity loss and absenteeism were used together to demonstrate the return on investment of an EAP.
Findings

Health Status

This study demonstrated that EAP intervention has a positive impact on employee health status, particularly for mental health, which employees rated almost 15% higher after receiving EAP support. There was a large improvement in the mental health status of employees who participated in an EAP, with the average mental health rating moving from 2.8 out of 5, to 3.2 out of 5—a 14.3% improvement in mental health status.

Employees also reported improved general physical health ratings—albeit not as considerable as the self-reported improvements to mental health—with the average physical health rating moving from 3.2 out of 5, to 3.4 out of 5, with EAP intervention.

The positive impact to self-reported mental health scores through EAP intervention is noteworthy. Research has shown that workers with depressive disorders, in particular, can have almost four times more health-related lost productive time than their non-depressed counterparts. Given this known effect of depression symptoms on work performance, organizations are therefore obtaining a clear return on their EAP investment and its ability to support mental health issues and demonstrate a marked impact to mental health status.
Productivity

Productivity loss involves measuring the loss of workers who are physically at work but who might perform their duties at less than their optimal capacity. This is often referred to as ‘presenteeism,’ meaning, an employee might be present but not fully focused on his and/or her work because of underlying physical, social, or psychological problems. This is different from measuring ‘lost productive time’ or time when a worker is off due to occupational injury or disability, or also other forms of leave. In fact, measuring lost productive time is much more straightforward for organizations as they generally have reliable administrative reporting systems to produce these metrics. Thus, the health and productivity management challenge for organizations is not simply controlling absenteeism, but also reducing presenteeism-related productivity loss.

To measure the impact of EAP intervention on productivity, Morneau Shepell compared pre- and post-intervention scores for both of the estimated productivity loss and the associated cost of lost productivity, on a per employee basis. The analysis revealed that EAP intervention has a positive impact on job productivity, and has demonstrated a 34% reduction in costs related to lost productivity.

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**Estimated Productivity Loss (%)**

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<th>Pre-EAP</th>
<th>Post-EAP</th>
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<tbody>
<tr>
<td>%</td>
<td>27.90%</td>
<td>18.30%</td>
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**Estimated Cost of Productivity Loss ($)**

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<thead>
<tr>
<th></th>
<th>Pre-EAP</th>
<th>Post-EAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$14,453.78</td>
<td>$9,589.27</td>
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</tbody>
</table>

34% Cost Reduction
Before EAP intervention, employees reported an average productivity loss of 27.9%, which translates into $14,453 per employee per year (using the same average salary of $51,750); whereas, after EAP intervention, employees reported a notably lower level of lost productive time, 18.3%, and accordingly, a notably lower associated cost, $9,589.28. Therefore, for employees using EAP, organizations realize almost a 10% increase in productivity, amounting to a cost savings of $4,864.50 per employee per year. In a company with 1000 employees and a 10% EAP utilization rate, this would amount to a $486,450 savings each year.

### Absenteeism

Organizations often look to absenteeism as a key indicator of business performance, and most share a growing concern over an increasing rate of absence, including incidental absence, disability and worker’s compensation.

Morneau Shepell’s analysis indicates that absenteeism is indeed having a considerable effect on organizations. Employees who accessed the EAP report, on average, had approximately 26.4 days of lost work time per year. This figure translates into $5,254.66 per year (using the same average salary), not including other costs, such as replacement or health and disability benefit costs. This is considerably higher than the national absence average of 9.8 days for employees, and may be an indication that EAP is a key support resource for those experiencing difficulties which are causing them to have higher than normal absenteeism.

![Impact of Absence](image)

In looking at pre- and post-EAP intervention absence rates, the analysis revealed there is little to no change in days lost with EAP intervention. Research shows that employees who use EAPs often experience positive changes in their work performance, such as higher levels of work productivity (as demonstrated in this study), improved work team relations, and in some cases reduced work tardiness or absenteeism. Insomuch as they support employees to be healthy and productive, it is clear EAPs are not a mechanism to reduce absence on their own.
This signals that organizations should consider a more comprehensive, strategic approach to managing absence, including support for early intervention, such as that offered through attendance support programs, as well as having clear policies and practices in place to support employee attendance. While EAPs are very important in supporting employees and managing absence, they clearly need to be part of a broader Total Attendance Management strategy.

**Return on Investment**

Productivity loss and absenteeism were used together to demonstrate return on investment. Morneau Shepell’s analysis demonstrates that improvements to health and productivity from EAP intervention return considerable savings to organizations. Before EAP intervention, decreased productivity and absence was estimated to be costing organizations $19,708 per employee per year. Based on post-EAP intervention assessment, the cost of absence and lost productivity reduced by $4,865 per employee.

\[ \text{EAP intervention therefore translates into an almost 25% reduction in costs for organizations,} \]

\[ \text{Clearly, in this analysis where self-reported productivity is used as a financial measure, EAP intervention demonstrates a significant financial benefit to} \]

\[ \text{organizations, in terms of increased productive work time.} \]

<table>
<thead>
<tr>
<th></th>
<th>Absence</th>
<th>Lost Productivity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-EAP</td>
<td>$5,254.66</td>
<td>$14,453.78</td>
<td>$19,708.44</td>
</tr>
<tr>
<td>Post-EAP</td>
<td>$5,254.66</td>
<td>$9,589.27</td>
<td>$14,843.94</td>
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<tr>
<td><strong>Savings</strong></td>
<td>$0.00</td>
<td>$4,864.50</td>
<td>$4,864.50</td>
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</table>
In the scenario of a 1000 employee company with an EAP priced at $54/employee/year, and with a 10% EAP utilization rate, the overall EAP Return on Investment would be 8:1.

Recommendations

Develop a More Strategic Partnership with Your EAP Provider

Forming a strategic partnership with your EAP provider is the first step in realizing the return on your investment. At a minimum, your EAP provider should be have a clear understanding of your program objectives, and should work together with you to ensure the efficacy of the EAP.

There is, however, much greater opportunity. Your EAP provider should also understand your business and human capital goals, and work with you to ensure the program is an integral part of your broader health and productivity strategy. Your provider can play a key role in strategically supporting your organization, by aligning and coordinating with your other health partners.

In conjunction with your other providers, your EAP provider can participate in:

1. **Financial management** - With a broader understanding of your cost risks, your EAP provider can recommend strategies to optimize the use of the EAP as a preventative measure, with the objective of saving your organization costs down the line. Your EAP provider should work with you to identify strategies to facilitate early referral to employee assistance, creating appropriate triage points and offering early identification training for managers.

2. **Health risk management** - By regularly reviewing your EAP utilization together with your health benefit data, your EAP provider will develop a sound understanding of your health risks, and will then be positioned to make
recommendations around the strategic use of EAP services to support your health priorities. Your EAP provider can also work with your disability vendor(s) to help design programs that address the root causes of your health issues.

Your organization should ideally integrate all of your health data—both expenditures and health conditions—to have a clear picture of the burden of illness.

By having a strategic partnership with your EAP provider, you will be able to ensure your program is achieving its objectives, and ultimately, providing your organization with a return on your investment. Furthermore, by working with your other health partners to offer integrated solutions to broad-based problems, your EAP provider can demonstrate a much larger impact.

**Getting Ahead of Absence**

The study signals that organizations should consider a comprehensive, strategic approach to absence management. To promote sustained attendance at work—and prevent downstream costs and consequences—organizations should shift from stand-alone absence administration programs to attendance management strategies that are aligned with the company’s business objectives, cost management goals, and employee engagement and retention strategies.

Being strategic about absence management means your program should:

- be aligned with corporate strategies, business unit plans and other HR objectives;
- have clear and measurable direct and indirect cost objectives that are reviewed regularly;
- clearly identify and address absence drivers proactively;
- foster employee engagement through effective support and clear communication of roles, responsibilities and procedures; and
- work in an integrated manner to improve administrative, operational and procedural efficiencies.

Realizing a return for your investment in supporting employee health must include strategic initiatives to support and manage absence. Your EAP provider can play a key role in this strategy by working with your organization and your partners to understand and support health issues. Your EAP provider may also be able to provide early intervention services for absence support.
References


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