

Ken Moore Associates Presents

Commentary

OBESITY AND WORKERS COMPENSATION COSTS

In April, 2007, a team of medical researchers at the Duke University published a remarkable study relating obesity in the workplace to the number of Worker's Compensation (WC) claims submitted by employees. The results were startling. Over a period of 8 years involving more than 50,000 employees the researchers were able to correlate Body Mass Index to the number of Workers Compensation claims and the dollar costs to a company.¹

In the United States, all states plus its territories require by law that employers carry insurance under the general term Workers Compensation. This form of insurance covers the cost of medical care and rehabilitation for workers injured on the job. It also compensates them for lost wages and provides death benefits for their dependents if they are killed in work-related accidents, including terrorist attacks.

Let's look at some of the details of the study.

Body Mass Index (BMI) is a number calculated from a person's weight and height. It provides a reliable indicator of body fatness for most people and is used to screen for weight categories that may lead to health problems. It is a widely used diagnostic tool to determine weight problems within a population. It is calculated as weight in kilograms divided by height in meters squared. Most search engines will find sites that will calculate it for you

What the researchers discovered was that there was a linear correlation between BMI and the rate and cost of Workers Compensation claims. Employees whose BMI measured >40 had 11.65 claims per 100 full time employees (FTE), while recommended-weight employees had 5.80 claims. When calculating lost work days, they determined that the effect on lost workdays was 183.63 for obese employees versus 14.19 per healthy employees. Furthermore, when calculating medical claim costs, they discovered that medical claims costs \$51,091 per 100 obese FTEs versus \$7, 503 per 100 non-obese FTEs.

The claims most affected by BMI were strongly related to the following: lower extremity, wrist or hand, and back, contusions or bruises, falls or slips, lifting, and exertion. The study further observed that the combination of obesity and high-risk occupation was particularly detrimental.

Obesity in the United States is viewed as a epidemic with associated high health care costs. A recent edition of Forbes magazine printed a story about a University of North Carolina study that found that a population's greater access to a Wal-Mart Supercenter or other big box food retailer "was associated with lower body-mass indexes and a lower probability of being obese".² The conclusion is that consumers buy healthier foods when their purchasing power increases.

Worker's compensation is a significant cost element of the total employee benefit package. Indeed, it is one of only three benefit programs required by law in all 50 states (Social Security and unemployment insurance are the other two). Over time and experience, Workers Compensation has evolved into a complex mosaic of rules and regulations that vex the best of HR, compensation and benefits managers, particularly in multi-state organizations.

It also vexes CEOs and CFOs who must budget for and pay additional premiums and expenses to WC insurance carriers that cover the employees. In 1982, Worker's Compensation cost the US \$22.8 billion. In 2002 the costs rose to \$72.9 billion³. In 2006, the costs increased to \$87.6 billion.⁴ Absent a national health care policy, health benefit costs will continue to increase resulting in higher costs to the employees and employers and lower returns on investments for shareholders

We acknowledge that obesity is a major concern in our American society. The media reports frequently on the subject and has termed it an epidemic. New York's governor is even proposing legislation requiring restaurants and other food vendors to put nutrition information on all of its menus. Some airlines are considering if and how they can charge extra for obese passengers

As more and more empirical research on obesity becomes available, it presents an opportunity for company leaders to incent its employees to achieve and maintain an ideal body-mass index and weight. There are dozens of individual diet plans available and many long term weight loss programs. Some are excellent and effective programs. Others are not.

If a company wishes to address its increasingly unsustainable health care costs, studies like these will aid significantly in implementing and justifying corporate support for a healthy workforce.

Word count: 719

ENDNOTES

- 1. Obesity and Workers' Compensation, Archives of Internal Medicine, Vol. 167, No. 8, April 23, 2007, <http://archinte.ama-assn.org/cgi/content/full/167/8/766>**
- 2. Forbes, June 8, 2009, p. 24**

3. **SHRM White Paper, John G. Kilgour, PhD., Revised, September, 2004**
http://moss07.shrm.org/Research/Articles/Articles/Pages/CMS_000039.aspx

4. **Workers Compensation – Benefits, Coverage & Costs, National Academy of Social Insurance, August, 2008, Table 1;**
http://www.nasi.org/usr_doc/NASI_Workers_Comp_Report_2006.pdf