Impact of Employee Financial Stress on Health Care Costs

Being a large public company that has had a wellness program in place for several years, we have long recognized the links between stress and illness, and in particular, financial stress and illness. What we didn’t know was how financial education impacted financial stress, and ultimately, health care claims. Would employees who participated in intensive financial education, designed to help them resolve financial problems and reduce their financial stress, actually become healthier? Preliminary results from a recent study we conducted indicate that this is the case. After our employee financial wellness program reached a critical mass, we decided to see how much money, if any, the company saved in health care costs for heavy financial education users vs. non users. It turns out the company saved 21.57% in health care costs for heavy users of the financial education program vs. 4.19% for non-users from 2009 to 2010.

We believe the correlation between financial education and reduced health care claims is strong for three reasons:

1. Financial issues are the number one cause of stress, and play a role in most preventable stress related illness;

2. Most of the other major sources of stress have a financial component that causes or worsens the stress;

3. Financial stress has been extensively studied by the medical profession and is commonly deemed to be one of the most dangerous types of stress on the body, if not the most dangerous.

For more information on the impact financial stress has on specific medical conditions and diseases, please refer to the chart on the right.
Actual Results from Company’s Financial Wellness Program

To determine the effectiveness of its financial wellness program, the company decided to evaluate three areas:

1. Actions employees took to improve their finances within 30 days participating in the financial wellness programs.
2. Long term improvements employees made to their finances after participating in the program for approximately 2 years.
3. Cost savings to the company from the program, based on comparing users vs. non-users on key metrics, such as health care claims, absenteeism, garnishments, and Flexible Spending Account participation.

The next several pages detail the results the program has achieved with respect to both employee behavioral change and cost-savings to the company.

Significant Behavioral Change Among Program Participants

Analysis of Employee Behavioral Change: 30 Days After Participating in the Financial Wellness Program

OVER 90% have taken at least one step to improve their finances.

78% have taken 2 or more steps to improve their finances.

TOP ACTIONS TAKEN

1. I've reviewed the asset allocation in my retirement plan.
2. I've reduced my monthly expenses.
3. I've used the calculators and/or worksheets sent to me by Financial Finesse.
4. I've reduced my credit card debt.
5. I've increased contributions to my 401(k).
Analysis of improvements regular financial wellness service users made to their finances from 2009 to 2011

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>I pay off my credit card balance in full each month</td>
<td>48%</td>
<td>63%</td>
</tr>
<tr>
<td>I have an emergency fund to cover unexpected expenses</td>
<td>34%</td>
<td>57%</td>
</tr>
<tr>
<td>I have a handle on my cash flow</td>
<td>65%</td>
<td>71%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>I feel confident that my investments are allocated appropriately</td>
<td>28%</td>
<td>46%</td>
</tr>
<tr>
<td>I know I am on target to replace at least 80% of my income (or my goal) in retirement</td>
<td>17%</td>
<td>30%</td>
</tr>
<tr>
<td>I contribute to my 401(K) plan at work</td>
<td>92%</td>
<td>98%</td>
</tr>
</tbody>
</table>

**Average 401(k) Deferral Rate**

- 5.77%
- 7.44%
- 8.61%
- 9.14%
- 11.00%

Heavy users of the Financial Wellness Program have significantly higher deferral rates than those who use the program sporadically or not at all. The company has a vested interest in increasing employees’ retirement plan deferral rates in order to avoid delayed retirement costs. Experts estimate that employees who delay retirement cost their employer $10,000-$50,000 per year in delayed retirement costs for every year they delay retirement beyond normal retirement age. This is due to higher health care costs and salaries for these employees vs. younger colleagues who would otherwise take their place. This estimate does not include intangible costs related to performance, productivity, turnover of high performing employees who feel they can’t climb the corporate ladder because their older colleagues are not retiring, etc.
To assess return on investment to the company, we compared financial wellness users to non-users on the following metrics:

1. Reduction in health care claims
2. Absenteeism
3. Garnishments
4. Flexible Spending Account participation

### The Cost of Absenteeism

<table>
<thead>
<tr>
<th>For non-users</th>
<th>For all financial education users</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.73 hours</td>
<td>11.48 hours</td>
</tr>
</tbody>
</table>

Improvement of 4.25 hours.

\[
\text{The population of users} \times \text{The observed improvement} \times \text{The median hourly salary for one employee} = \$837,230
\]

### The Value of Financial Education on Healthcare Costs

- **For all financial education users**
  - $1,028,650
- **For heavy financial education users**
  - $791,194

\[
\text{The population of healthcare eligible users} \times \text{The observed improvement in healthcare cost savings} \times \text{The 2009 average cost} = \$1,028,650
\]

\[
\text{The population of healthcare eligible heavy users} \times \text{The observed difference in healthcare cost savings} \times \text{The 2009 average cost} = \$791,194
\]
The Cost of Garnishments

For non-users: 7.7%
For all financial education users: 5.1%

Improvement of 2.6%.

The population of users (8195) x The observed improvement (2.6%) x The estimated annual cost to process a garnishment ($300) = $63,921

The Cost of Flexible Spending Account Participation

For non-users: $231.03
For all financial education users: $304.19

Improvement of $73.16.

The population of users (8195) x The observed improvement ($73.16) x The tax savings on employer contributions to FICA (7.65%) = $45,865
Employee Feedback on Financial Education Services

**99%**
CONSIDER FINANCIAL EDUCATION TO BE AN IMPORTANT EMPLOYEE BENEFIT

**MOST COMMON FEEDBACK**

What I plan to do next...

Create/revisit a budget

Manage debt/create debt plan
Schedule a one-on-one
Use FF services/tools
Save more for retirement
Set up/start saving more in savings
Buy a home/look into real estate/mortgage
Save for college
Use company/retire for more arts

What can we do to improve the service...

Nothing, it was excellent!

More time for the topic
More examples
More workshops on saving for college
More information on investing
More workshops/webcasts on taxes:
More workshops/webcasts:
Better access to the workbook prior to webcast:
More workshops/webcasts:
Would like a basic estate planning course:
Make accessing workbook easier:
Divide into more than one session:
It was complete

**Strong Employee Feedback**

I WOULD RECOMMEND THE PROGRAM TO A CO-WORKER

**99%**

I AM BETTER PREPARED TO MAKE A FINANCIAL DECISION

**98%**

PERCENTAGE OF EMPLOYEES WHO RATE FINANCIAL FINESSE’S SERVICES AS “VERY GOOD” OR “EXCELLENT”

**92%**

CLICK TO VIEW TESTIMONIALS FROM ACTUAL PARTICIPANTS
(http://goff.im/rXGhLs)
About this Case Study

This ROI study was conducted by a Fortune 500 company that uses Financial Finesse as its financial education provider. The company has had a large scale, multi-channel financial wellness program in place for four years, available to all employees across the nation. It has also followed industry best practices in implementing and communicating financial education programs, which we believe are integral to achieving these results.

About Financial Finesse

Financial Finesse was founded in 1999 with a single mission: To provide people with the information and guidance they need to become financially secure and independent. Today, we are the leading provider of unbiased financial education programs to corporations, municipalities, and credit unions. We deliver content on all financial topics, from serious debt issues to advanced estate planning, through a wide variety of formats (in person, online, over the phone, through workshops and webcasts, and through print materials). All education is developed and delivered by on-staff Certified Financial Planner™ professionals. We accept less than two percent of applicants who apply to be a Resident Financial Planner with Financial Finesse. For more information on the company, please go to www.financialfinesse.com.