

Building the case for an EAP

2 ways to approach a business case — use a formula or measure factors

BY JUDITH PLOTKIN

Employers readily accept strong employee benefits packages are important for attracting and retaining talent. But what is the actual return on investment (ROI)? How do they measure the positive impact of offering prescription drug coverage or dental and vision care? Many employers offer these because they are expected to do so, without much concern about demonstrating ROI.

But when it comes to employee assistance programs (EAPs), the need for a business case arises more frequently — often because EAPs deal with less tangible and more uncomfortable issues, such as financial or marital problems, or difficulties with stress, anxiety and depression.

But EAPs usually represent a small portion of the total spend on benefits and can produce an easy return on investment for an employer, especially given workplace challenges such as:

- an aging workforce
- work-life balance
- health issues related to behavioural choices (smoking, weight gain, drinking, conflict and stress)
- mental health issues causing increased absenteeism and disability claims costs.

Considering EAP programs focus on mental health, work-life support and behaviour change, the business case almost makes itself. But there are two ways to approach the business case for EAPs: Use a formula to calculate how much personal problems cost an organization and how an EAP can help, or measure factors that can drive direct costs at the organization, such as disability incidents, claims costs, turnover rates or employee satisfaction.

Using a formula

Using a formula means figuring out the dollar value spent on an EAP versus the mitigation of risk that can occur by helping em-

ployees who are distressed and experiencing personal problems. The result is a conservative estimate because EAPs offer behaviour change products that mitigate risk and focus on prevention to appeal not just to distressed employees but employees who need to modify behaviour because of disease states and other factors present in their current health.

To calculate how much personal problems cost an organization and what savings or returns might be realized by implementing an EAP, statistics can be helpful. Fifty-nine per cent of employees experience role overload, 31 per cent have work or family conflict, 27 per cent experience job stress and 25 per cent suffer from mental, emotional and health issues, according to a 2008 report by Homewood Human Solutions.

An organization can also estimate how many workers will have personal problems in any given year.

“Ten per cent is a conservative estimate of the proportion of an organization’s employees who will experience difficulties in any annual period. This figure should then be multiplied by the average decrease in productivity of an employee who is experiencing personal problems (about 37.5 per cent),” according to *Canadian Group Insurance Benefits* by Ashim Khemani. “The result of this calculation yields a rough and conservative indication of how much employees’ personal problems can cost a company each year. This model examines the effectiveness in helping reduce the cost of employees in distress.”

It is likely an additional five to 10 per cent of employees will use the EAP in a preventive or supportive manner for changing behaviour or managing their health conditions. For example, they may use smoking cessation, nutritional support or elder care resources.

In calculating the savings an organization would realize by implementing an EAP, the first step

is to estimate how many workers will use it. The effectiveness of the overall services provided, preventive aspects included and the quality of the EAP are critical. Accredited EAP providers should be able to produce outcome data to demonstrate this.

Potential EAP savings in the first year can be calculated using an estimate of the employee population that may use the services multiplied by the annual average compensation, then multiplied by 37.5 per cent (the reduced productivity figure). This figure is then multiplied by 90 per cent (EAP effectiveness rate) to obtain a conservative cost-savings estimate. From this amount, the cost of the EAP itself is deducted. (See sidebar for a sample calculation.)

There is a cumulative cost-savings effect in subsequent years, since an effective EAP is designed to resolve an employee’s problems so they will not occur again or at least not affect the employee’s productivity.

This calculation does not take into account other workplace services EAPs offer and the savings and impact related to these services. There is a six-to-one ROI for EAP and wellness programs combined and a three-to-one ROI for a stand-alone EAP, according to the International Foundation of Employee Benefit Plans (IFEFP). Wellness and workplace support can include manager training, conflict resolution, manager support and wellness training sessions that most EAPs offer.

Since stress both at work and at home is a precursor to more serious mental health issues, helping the workplace mitigate the cumulative effects of crisis, stress and conflict is a growing and important part of an EAP. Using other workplace support services that many EAPs offer, such as conflict management, effective management training and respectful workplace policies and training, will encourage healthy workplace practices.

Using measurement

The other way to build the business case is to measure a variety of factors specific to the organization. These can drive direct costs, such as disability incidents, claims costs, turnover rates or indicators of engagement, such as client retention, employee satisfaction and EBITDA (earnings before interest, taxes, depreciation and amortization).

These factors can be benchmarked and then re-measured to attain the impact of a comprehensive EAP promotion focused on wellness and mental health. Organizations can start with a small benchmarking survey to measure engagement and health prior to an EAP promotional campaign.

Of course, active communication, integration and promotion are critical to driving tangible results from an EAP. The more isolated and poorly promoted the program, the fewer results will be realized. Confirming a focus on wellness and committing to health-promoting workplace practices (including EAPs) will impact the return on investment.

EAPs can see anywhere from a three-to-one return on investment to a six-to-one return with good promotion and communication, according to *Selecting and Strengthening Employee Assistance Programs*, a 2009 report by the Employee Assistance Society of North America.

Like most benefits, usage of the program can drive the cost of the program — this is an issue many plan sponsors struggle with — but the benefits of the wellness and the EAP promotion outweigh the costs. Employers that realize the ROI is inherent in promoting everything an EAP stands for understand the value of promotion and prevention. In terms of valuing total employee health, both mental and physical, an EAP can send a powerful message to the workforce.

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