Return on Investment (ROI) for Federal Agencies

What is ROI?
Return on Investment (ROI) is a financial measure that involves the ratio of the financial benefits or savings to the costs of your wellness and health promotion (WHP) program. For example, a 1:1 ROI means that for every $1 invested in the program there was a $1 return (a cost neutral effect), whereas a 2:1 ROI means for every $1 invested there was a $2 return (a positive ROI or savings).

Savings = decreased medical expenditures and increased worker productivity
Spending = the cost of the wellness and health promotion program

The Business Case: Why should your agency care about ROI?

- Increasingly, agencies are requesting an ROI report to illustrate the effectiveness of their wellness and health promotion program for employees.
- ROI allows an agency to assess the economic impact of their investment in the program and justify the time, effort, and money spent on specific interventions.
- Assists with answering fundamental questions related to population health:
  - Which health risks are the most prevalent and the most costly for your agency?
  - What level of risk reduction is needed to justify an investment in health promotion?
  - What is the break-even point for our wellness program?

How does Federal Occupational Health (FOH) calculate ROI?
FOH partnered with the Office of Personnel Management (OPM), Truven Health Analytics, and Emory University Institute for Health and Productivity Studies to utilize an ROI model with inputs specific to the federal population:
- The ROI model uses population level summary data from the Health Risk Assessments (HRA) completed by your employee population.
- This data is extracted, verified, and analyzed by FOH subject matter experts to ensure standardization and validity of data inputs prior to populating the model.
– The model generates an ROI based on a set of standard inputs (e.g. program costs, employee demographics, etc). These inputs can be general or specific depending on the request of the agency and the availability of specified data sets.
– Retrospective and prospective analyses are available via standard, customized, as well as “what if” scenarios.

**What are the inputs for ROI?**
The ROI model predicts cost savings from programs designed to address 10 modifiable health risks; the prevalence of these risk factors in your participating employee population are inputs of the model. Inputs also include the agency’s employee demographics and program components (e.g., cost, participation, etc).

**What are the required inputs for ROI?**

**Program**
– Medical payment
– Average daily wage
– Program cost
– Participation rate

**Demographics**
– Age
– Gender
– Region
– Employee type (salary versus hourly)
– Health plan

**Risk Factors**
– Obesity
– Tobacco use
– Hypertension
– High alcohol consumption
– High cholesterol
– High stress
– High blood glucose
– Depression
– Poor nutrition
– Physical inactivity

**What are the outputs for ROI?**
The ROI model enables retrospective and prospective studies through examination of the health changes of your participating employee population. Model outputs include, but are not limited to, the following:
– Cumulative medical cost, no program
– Cumulative medical savings, with program
– Cumulative productivity savings, with program
– Cumulative program cost
– Net present value (NPV), medical care
– NPV, medical and productivity
– ROI, medical care
– ROI, workplace productivity
– ROI, medical care and productivity

**What are FOH’s specifications for calculating ROI?**
There are specific data input requirements for the ROI model:
– Ability of the agency to identify the population eligible for the agency’s wellness and health promotion program.
– Minimum HRA participation: A minimum of 5%* of the eligible population (no less than one-hundred employees) must complete an HRA to have a large enough sample size to run the model.
– Customized ROI model: FOH requires agency specific data (e.g., region, age, gender, and program cost) to run a customized ROI model. The customer agency will be responsible for providing this information.
– ROI will be calculated annually to support accurate and meaningful program evaluation.

For more information, please contact FOH at 800.457.9808 or visit us online at www.FOH.hhs.gov.

*Note: The best practice is to have >60% participation among the eligible population.