



# HOW MANAGERS MAKE EMPLOYEES SICK

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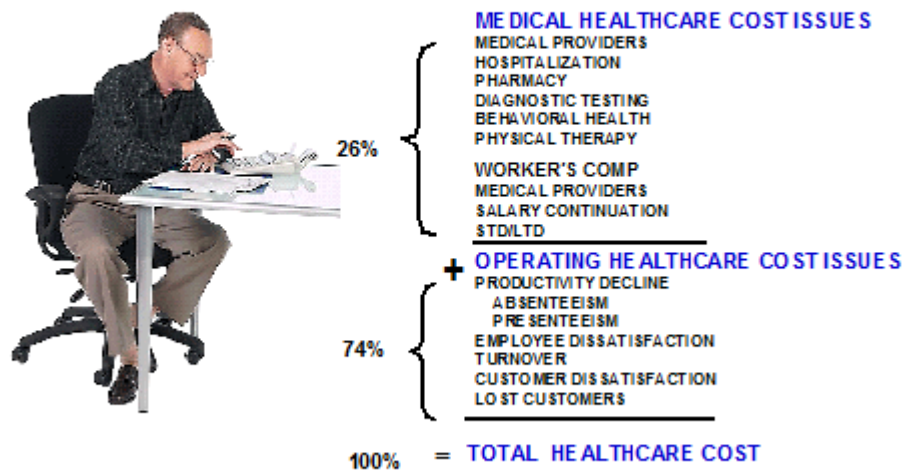
Research tells us that there is much more to healthcare costs than just medical expenses. Health issues also impact the daily operating costs of our businesses. Health issues lower productivity, increase absenteeism and presenteeism, decrease employee satisfaction and morale, and increase employee turnover. Health issues can increase operating expenses significantly ... by about three times the amount of medical expenses.

### The Research

When we think of healthcare cost, we normally think of its medical aspects: doctor bills, hospitalization, prescriptions, tests, therapy, workers' compensation, and short-term and long-term disability. But medical expenses—which are the only costs we routinely measure—make up only a fraction of total healthcare expenditures. The impact of health problems on operating costs is far greater. 1. It's important that we begin thinking about healthcare costs in a different way: a medical expense component and an operational expense component. Managers need to understand how the two are related. When we look at healthcare costs in this new way, we realize that managers have much more impact on healthcare costs than first thought. To a large degree, increases in operating costs due to health problems are manageable and can be brought under control. In this e-book, I'll explain why.

## HEALTHCARE TRAINING

YOUR MANAGERS SHOULD UNDERSTAND  
THE TOTAL COST OF HEALTHCARE



Loeppke R, Talbot M, Richling D, Parry T, Kessler RC, Hymel P, Konicki D "Health and Productivity as a Business Strategy" July issue of the *Journal Occupational and Environmental Medicine (JOEM)*

Health problems cause declines in productivity and organizational effectiveness. In a research study involving over 50,000 employees in four major corporations, researchers found that medical treatment costs were only 26% of the total costs of healthcare. The impact of health issues on operating costs were a whopping 74% of total healthcare spending! 2. Most of these operating costs are hidden. There is no line item on a profit and loss statement for "Excessive Operating Costs for Health Reasons." But the costs are there nonetheless.

Researchers began their study by looking at the dollars spent on actual medical expenses. They categorized the expenses by the diseases being treated and determined that the top ten medical conditions responsible for 26% of total health spending were:

- Cancer (other than skin cancer)
- Back and neck pain
- Coronary heart disease
- Chronic pain
- High cholesterol
- Gerd (gastroesophageal reflux disease)
- Diabetes
- Sleeping problems
- Hypertension
- Arthritis

The study also measured the impact of health problems on operating expenses over and above the medical bills. The results were startling. The impact of health problems on operating costs far exceeded the actual medical claims expenditures by about three to one. The researchers determined that health problems impacted four areas of the companies operations:

- Productivity decline due to absenteeism and presenteeism
- Employee turnover because of health and disability
- Employee turnover due to dissatisfaction for health reasons
- Customer dissatisfaction and lost customers related to employee health

The researchers categorized the expenses in these four areas by the medical condition that caused the problem. They included these expenses with their measurement of medical treatment costs and developed a new list of the top ten conditions driving total healthcare expense. Both lists are shown below, and you will see significant differences between them ...

**TOP 10 CONDITIONS DRIVING  
THE MEDICAL COMPONENT OF  
HEALTHCARE COSTS**

- Cancer (other than skin cancer)
- Back and neck pain
- Coronary heart disease
- Chronic pain
- High cholesterol
- Gerd
- Diabetes
- Sleeping problems
- Hypertension
- Arthritis

**TOP 10 CONDITIONS DRIVING THE  
MEDICAL COMPONENT AND OPERATING  
COMPONENT OF HEALTHCARE COSTS**

- Musculoskeletal conditions
- Depression
- Fatigue
- Chronic pain
- Sleeping problems
- High cholesterol
- Arthritis
- Hypertension
- Obesity
- Anxiety

The same study looked at the costs of back and neck pain disorders in the same four companies. Using the traditional accounting methods for tracking medical and drug costs, the costs of treatment for neck and pain per 1,000 employees in the studied companies was nearly \$170,000. But when the costs of productivity declines and other operational costs related to neck and back pain were included, the figure rose well over \$500,000! **3.**



The major lesson in all of this research is clear. It supports the notion that we must think about healthcare costs in a different way: a medical component and an operational component. Healthcare benefit costs cannot be managed in a vacuum. We cannot control and manage healthcare benefit costs in isolation from business operations. The two are inherently connected and co-dependent on each other.

### **Managers Have a Significant Impact on Medical Expenses**

Operating managers can cause or exacerbate health conditions that cause medical problems. Examples would be musculoskeletal conditions, chronic pain, and arthritis. Most companies have some jobs that are very physical and require strength and mobility. These jobs cannot be modified to accommodate an employee's physical condition.

Placing someone with a physical condition incompatible with these jobs is at best setting the employee up for failure, and at worst exposing the employee to serious health risks and worsening their condition. But managers are placing people in jobs that they can't physically handle every day. The outcome is predictable: employee dissatisfaction, causing expensive turnover, higher medical claims, worker compensation, or even disability. Why does this happen? Are managers insensitive to physical limitations-are they intentionally hurting people? I don't think so. These mistakes are made because of poor hiring and staffing decisions resulting from untrained managers and inadequate hiring and staffing processes.

Preventing these kinds of staffing disasters begins with understanding job requirements. Understanding the requirements of the job is critically important. We need two new commandments in business that should be carved in granite. The first ... *"Thou shall not hire or place anyone in a position without having a written job description explaining the responsibilities*

*of the job, authority limits, performance standards and ... the important physical requirements of the job.*

The second commandment ... *“Thou shall not hire or place anyone in a position without a list of hiring standards which include career experience requirements, educational requirements, skill and behavioral requirements, and physical requirements of the job.”*

In 2006, The Americans Disabilities Act was passed for the primary purpose of protecting otherwise qualified employees from discrimination, certainly a law with noble intentions. Since the enactment of the law, the conditions that qualify as a disability have been growing. The law was amended in 2009 to tighten definitions of disability and reasonable accommodation.

Essentially, the law states that if a candidate is the best qualified person for a position, the candidate may not be rejected for a disability that can be reasonably accommodated. Nor should they be. There is nothing wrong with the intent of this law. In our world of intense competition companies cannot afford to deny themselves access to any pool of talented people, whether they're “green, purple, yellow, or have wheels on.” On the other hand, if a candidate is not otherwise qualified for the position, or if modifications made to accommodate the candidate's disability would be an undue hardship to the company, the candidate can, and should be, rejected from consideration.

The law also outlaws pre-employment physicals for most businesses. Physicals may only be given after employment. Physical examinations have been removed as a useful tool for determining if someone is physical fit for the job. In addition, laws protect medical privacy, which means that we cannot explore a candidate's medical background during the hiring process.

What is the answer to all of this? We don't want to expose people to serious health risks, no matter what the laws say we cannot do. But we don't want to break the law, either. What can we do to place people in positions compatible with their physical conditions?

## **The Importance of Effective Hiring and Staffing Processes**

The answer lies in establishing effective hiring processes and staffing the processes with well-trained managers who have good interviewing skills and understand the healthcare dilemma. Your hiring process should focus on identifying qualified candidates. It should assess candidates' compatibility with the job description and determine how well candidates' satisfy the hiring standards, including the physical qualifications that the job requires.

How can we determine a candidate's physical compatibility with the job if we can't assess the candidate's current medical condition and past medical records? The answer is ... we can't. But we can let the candidate tell us whether or not he is physically compatible and physically able to perform well. During the hiring process, someone should carefully explain the physical demands of the job as they are described in the Job Description. We should do everything we can to paint a clear picture of the job's physical requirements. I have clients who not only show candidates the job, but let them experience some of its physical aspects. When the candidate understands the physical requirements, they ask him, “Can you perform these physical requirements? Can you do this job, and do it well?” Then they listen to his answer, being careful not to get into a discussion about his physical or medical conditions.

Will candidates give us honest answers? In my experience, they do, at least as far as they know. Will some candidates lie? Will they cover up problems they believe might deny them the

position? I'm sure that some do, and it's for this reason that many companies don't assess physical job compatibility in any way. They reason that if they can't count on credible answers, they shouldn't waste time investigating physical compatibility, especially since it's bordered with so many legalities. But I argue that if this were true, why conduct any interviews at all?

Credibility and honesty are issues in every area we investigate. If you're worried about legalities, have an attorney review your Job Descriptions and Hiring Standards and make sure interviewers know how to use them and stay within the law. But we should absolutely assess physical compatibility with the job during the hiring process.

Hiring has such a huge impact on the lives of good people. It is a power that managers exercise, and we should exercise it wisely. We should not let the fear of legalities cause us to hurt and injure anyone. Granted, our access to information predicting physical compatibility is limited. But we should do everything possible, within the law, to avoid exposing people to needless health risks. The process we described isn't perfect. But remember "Miller's Theorem" which states, "*Doing Something is Infinitely Better than Doing Nothing!*"

### **Management, Employee Performance, and Stress**

Managers are invested with authority. They decide who they hire and who they assign to various jobs. Employees submit to and follow good managers if they believe that they are acting in their best interest. There is trust in this relationship. Managers should take that trust and responsibility seriously. Mediocre hiring processes lead to hiring mistakes, which are among to most expensive mistakes made in American business today. Poor hiring takes an enormous toll on growth, profits, customer relations, and employee relations. Poor hiring and staffing decisions lead to poor performance, poor morale, and wasteful employee turnover. Employee turnover compounds the exposure to the risk of healthcare claims.

There's a clear link between hiring processes and healthcare costs. Mediocre hiring can aggravate chronic disease and even lead to catastrophic health problems. Research demonstrates a link between management competency and other serious medical conditions like depression, cancer, coronary heart disease, and every one of the top ten medical conditions driving medical costs. Ineffective management, especially on the frontline, has everything to do with chronic diseases. 4. The underlying link between disease and management is "Job Dissatisfaction and Stress." Here's a simplified formula that expresses this relationship.

$$\text{EFFECTIVE MANAGEMENT} = \frac{\text{JOB SATISFACTION AND PERFORMANCE}}{\text{STRESS AND HEALTHCARE COSTS}}$$

Effective management is directly related to job satisfaction and performance and inversely related to stress and healthcare costs. In well-managed companies, employees are productive, happy, and enjoy their work. In well-run businesses, employees are cast properly in their positions. They're comfortable working in the company's culture. They are well trained and enjoy positive constructive relationships with their direct supervisors. Happy, productive employees are less likely to suffer stress and chronic disease.

Contrast this with a work environment which has the wrong people in wrong positions ... where people are thrust into jobs without training and development and hate their boss. These people

are frustrated non-performers. Their incompetence and frustration leads to dissatisfaction, and their dissatisfaction leads to job stress. Stress can be a real killer. It deserves more discussion and attention.

## **Job Stress and Disease**

What is job stress? The National Institute of Occupational Safety and Health (NIOSH) defines job stress as...*“the harmful physical and emotional responses that occur when the requirements of the job do not match the capabilities, resources, or needs of the worker. Job stress can lead to poor health and even injury.”* 5.

You can see job stress in the work place. Its symptoms are: 6.

- Anxiety
- Loss of sleep
- Strained relationships
- Presenteeism
- Employee turnover
- Loss of productivity
- Increased client complaints
- Absenteeism
- Injury and accidents
- Disability claims

Cornell University, *Journal of Occupational and Environmental Medicine*, April 2004

Many studies and research projects have linked job stress with serious chronic diseases. NIOSH says that stress occurs when employees are incapable of doing the job, lack the resources needed to perform well, or don't fit the culture and environment of the company. In other words, dissatisfied workers are under stress. Job stress can be dangerous and will increase healthcare expenditures. According to the *Journal of Occupational Environmental Medicine* (JOEM), health expenditures are nearly 50 percent greater for workers reporting high levels of stress. 7.

A 1998 study of 50,000 Canadian employees found that “the greater the degree of stress and dissatisfaction reported at work, the greater the likelihood of reporting more than 10 days off as a result of ill health.” 8. The Canadians have also found the link between job stress and placing people in the wrong jobs without giving them the tools to succeed. Their study clearly shows the impact of job stress on absenteeism, a major management headache.

Job stress has a more detrimental impact on employee health than any other life stressor, even more than family issues and financial problems! Job stress is associated with a variety of medical conditions, including cardiovascular disease, musculoskeletal problems, and psychological illness. 9. A gathering body of research supports the notion that ineffective managers contribute to increases in health costs. They cause job dissatisfaction and stress through poor hiring, poor staffing, and poor support and development of their employees.

No one enjoys a job that they can't do well. People want to succeed, and when they can't succeed or are prevented from succeeding, they are key candidates for job stress. Management effectiveness, employee performance and morale all impact our health. When management fails




to match employee capabilities with job requirements, the result is job stress ... a leading cause of poor health, injury, and high healthcare costs.

**JOB DISSATISFACTION AND STRESS**

**MAJOR HEALTH CARE PRINCIPLE**

- POSITIVE CONSTRUCTIVE RELATIONSHIPS BETWEEN MANAGERS AND EMPLOYEES HAVE EVERYTHING TO DO WITH PERFORMANCE....
- PERFORMANCE HAS EVERYTHING TO DO WITH EMPLOYEE JOB SATISFACTION AND A STRESS FREE ENVIRONMENT
- JOB DISSATISFACTION AND STRESS HAVE EVERYTHING TO DO WITH HEALTH CARE COST



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These facts go unnoticed in most companies. Mediocre management—as evidenced by poor performance and dysfunctional relationships with employees—could be your best opportunity to bring healthcare costs under control. If there are management issues, especially management issues on the frontline, it's a serious obstacle to any initiative to improve healthcare costs.

### Can Your Managers Make People Sick?

You bet they can! First, they can mis-match and mis-cast people in jobs that they are physically unable to do. Often, this brings on a chronic medical condition or exacerbates an existing health problem. Managers who lack competence and leadership skills impede their employees' success, leading to job dissatisfaction. In both cases, the manager has set up conditions for failure and job stress, which is a major contributor to chronic disease, illness, and injury.

Earlier, we reviewed a list of stress symptoms created by Cornell University. We also reviewed the top ten conditions driving total healthcare cost including both the medical and operating components. I've listed both of them below. It's worth noting the similarities between stress symptoms and the top ten conditions driving total healthcare costs.

<u>Symptoms of Stress</u>	<u>Conditions Driving Total Healthcare Costs – Medical and Operating Components</u>
Anxiety	Musculoskeletal conditions
Loss of sleep	Depression
Strained relationships	Fatigue
Presenteeism	Chronic pain
Employee turnover	Sleeping problems
Loss of productivity	High cholesterol
Increased client complaints	Arthritis
Absenteeism	Hypertension
Injury and accidents	Obesity
Disability claims	Anxiety

I've highlighted the obvious similarities between the two lists. This further illustrates that managers have an impact on employee medical conditions and can cause stress, which can lead to chronic disease.

Good managers design jobs well, make good hiring and staffing decisions, provide training, and coach employees to success. They can prevent some of these conditions, or at least keep them from getting worse. With the wrong leadership and management style or dysfunctional employee relationships, some of these conditions could develop into catastrophic losses.

Here's one final point about management competence and healthcare expenditures. NIOSH defined job stress as "the harmful physical and emotional responses that occur when the requirements of the job do not match the capabilities of the worker."

Who is in charge of understanding job requirements and matching workers' capabilities to them? It's common sense, really. The frontline manager has everything to do with employee health, safety, job satisfaction, stress, expensive employee turnover issues, and morale. They could be your greatest opportunity to reduce healthcare costs and keep the expense under control.

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