Investigation of Corporate Healthcare Strategies Administered by Board of Directors Intended for Greater Employees’ Productivity: Designing Cost Effective Wellness Plans

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Abstract
The research is conducted with a view to bring into attention the current global concern of healthcare. This study draws the attention towards the contribution in healthcare of individuals employed in the firm from the perspective of board of directors. The purpose of this study is to investigate the modern healthcare strategies that are influenced by the board of directors in the corporation for attaining better productivity of workforce while controlling and monitoring the cost of wellness. The strategies reviewed and recommended aid the apprehension for rising healthcare cost and provision of employee health insurance coverage. The conclusions and recommendations are supportive for the board of directors, decision makers and corporations. However, the selection of strategy should be made with further investigation of organization structure, size and employee preferences.

Keywords: Corporate governance, Healthcare Strategies, Employee Productivity, Cost of Wellness.

1. Introduction

1.1 Background
With the diversity of populations, healthcare has become crucial topic that needs to be address by filling the gap between those who can afford it and those who does not have access to it (Harris, 2010). Healthcare is a growing concern in the developed and underdeveloped parts of the globe. There are many people who lack access to health insurance (Feldman et al., 1997)

It is the most rising concern around the globe imposing challenges as underlined by (Zumbolo, 2005) on the policy makers and corporate governance. It has been witnessed in the past that expensive healthcare has been a major reason for the decline in the health care provision with respect to the plans of the board authorities (Fronstin & Snider, 1996). However, this study focuses mainly on the strategies of policy makers regarding healthcare incentives in the large enterprises where board of directors is elected by the stockholders.

According to Arnwine (2002) corporate governance is a serious duty that entails numerous responsibilities and authorities. The board of directors is the one which directs their policies and strategies to the management for its implementation on different levels of organization. Baysinger and Butler (1985) are of the view that the board of directors is responsible for the administration of cost. They stand on their positions mainly to control the cost and have close observation on the strategy designing for identifying cost-benefit analysis.


Corporations should contribute in the healthcare of their workforce as they yield high from their efforts (Swartz, 2006). The coverage provided by the corporate authorities is beneficial for the organization in terms of shifting the risk burden on organizational budget while receiving tax credits and also appreciated by the workers (Collins, Davis & Ho, 2005).

In order to encourage the corporations in implementation of healthcare sponsorship, tax subsidies are also provided. Conversely, they are not targeted appropriately (Selden & Gray, 2006). The goals of enhancing the healthcare coverage also include the affordability and access so that every individual can benefit from it living a healthy life (Ayanian et al., 2000). Though, our study is restricted towards the contribution of board of directors in designing cost-effective medical insurance for the employees that increases their productivity.

1.2 Research objectives
This research draws a scenario for the decision makers or the corporate board of the organization to design and choose best suitable healthcare plan that attracts the competitive labor and also encourage the improvement of worker’s output. Therefore, this research aims to:

• Identify that how employee productivity can be achieved when board of directors formulate cost efficient
health insurance for its workforce.
• Examine the modern strategies related to the employee healthcare that are helpful in advancing greater employee efficiency.

1.3 Research question
Corporate health care strategies are influenced by the board of directors to reduce health care cost & increase employee productivity?

1.4 Hypothesis
H₀: Employee productivity cannot be achieved if board of directors encourages and plan cost effective healthcare incentives.

2. Literature Review
Under extensive secondary resources, the topic was spread in several parts for gaining a better understanding of the underlying subject with respect to the corporate governance
• Role of board of directors in designing strategy
• Corporate healthcare and its significance
• Impact of enterprise healthcare planning on employee performance
• Employee health and work output
• Cost containment concern for decision makers and healthcare benefit
• Contemporary corporate strategies

2.1 Role of board of directors in designing strategy
There is a detailed explanation in the research presented by Arnwine (2002) regarding duties and accountability of the board of directors and their role in the governing body that transmit the directions to the management of the corporation. They are responsible for strategic policy making or cost effective decisions that can benefit firm and employees both. Baysinger and Butler (1985) also asserted that one of the main characteristic of the board of directors is the cost control and for that they are active members of strategic planning.

A study conducted by Fisch and Macey (2010) has examined the dependence of overall performance of the firm and its internal environment on the characteristic of good and poor governance. Good strategic move can get the firm out from dilemma while poor strategy may harm the organization and the shareholder interests. Rapoport (2009) also discussed that board of directors are associated with the management that create the key link between employees and owners. To fulfill the expectations of the investors, the board should design and implement effective strategies.

The study carried out by Jones (1992) proposed the reforms of the healthcare planning by the governing authorities of the corporations that can assist both employers and workers in accessing inexpensive health plans.

2.2 Corporate healthcare and its significance
According to Goetzel, Guindon, Turshen and Ozminkowski (2001) corporations with outstanding performances, structure and strategy set examples for other organizations under best-practice norms. Many organizations that are following and implementing best practices lack the health insurance programs. However, the understanding of the issue is spreading rapidly across many areas. As per Collins, Davis and Ho (2005) both governance authorities and employees are in gain when health coverage is offered by the organization as it also provides cost effective combined coverage than that of individual insurance. A study by Langlieb and Khan, (2005) found that corporations stand as the visible healthcare providers in the system therefore, firms should estimate the direct and indirect cost related to the disorders of the individuals that may also become acute and intense if not treated on time.

O’Brien (2003) suggested that there are no quantifiable gains available that monetize the firm’s cost of productivity but health insurance provision leads to healthier working. Also on the basis of relevant studies that policy makers offer healthcare sponsorships to stay viable in the labor market.

Selden and Gray (2006) while discussing the case of U.S tax subsidy, states that employment based healthcare funds allows the corporation to receive tax credits that saves the firm a sizeable amount of money. However, study also states that subsidy is not appropriately and adequately targeted. According to Gruber and Poterba (1996) corporate healthcare provides an opportunity to the individual employees to give up cash in place of health sponsorship which is also beneficial for them as in case of spending; the amount for medication may exceed what they receive under the insurance policy. As per Collins, Davis and Ho (2005) firm-based provision of health insurance is beneficial step for the employers that accommodate a natural pool of risk that offer a low-cost opportunity than individual coverage.

The study of Pozarycki (2006) confirms that 90% of the corporate leadership agreed the fact that there
was a better chance of investment in their firm if there was a controlled healthcare expense. Moreover, 93% believed that the rising healthcare expense also offers competitive edge to the foreign based firms. With this increasing trend, the opportunities for new jobs will become difficult along with the increments in the wages. According to Baker, Sudano, Albert, Borawski and Dor (2001) uninsured individuals who are not covered under the corporate policy are observed to have adverse effects on the overall healthcare in the society as they are observed to move away from health insurance on private basis also that ultimately leads to increasing uninsured individuals. According to Cohen, Cohen and Banthin (2009) the insurance of health aids in pushing individual towards the medical assistance at the right time. When a person accesses the medical facility on time, he saves further unexpected medical emergency. Employment based coverage offers an overall wellbeing on national level.

2.3 Impact of enterprise healthcare planning on employee performance
Discussed the advantages and significance of health stability of employees, van Oostrom, et al. (2010) highlighted that stable workers lead to low performance and increases absenteeism. Those establishments that incorporate wellness of employees and their families ends up with more productive outcomes including decreased turnover of workers' O'Brien (2003). A study by Wright, Beard & Edington, (2002) focused on the “time away from work (TAW)” and explored that individuals with high risk were found to have higher rate of TAW. Therefore, he recommended trimming down the health risk of the employees in order to control TAW.

While discussion on the health care planning under the “Affordable Care Act”, some argued on this aspect that the ACA penalty will cause the reduction in the employer coverage but the fact is ignored that, for years employers are providing coverage in order to seek better and competent labor (Blumberg, Buettgens, Feder & Holahan, 2012). When the association between employee compensation and health risks were analyzed, it was revealed that individuals with low health risk incurred lower health claims while employees with high risks asked for greater amount of claims (Musich, Napier & Edington, 2001). Organizations that are unable to provide optimistic healthcare facility selection to the workforce in order to get the employee coverage under the health sponsorship, suffers with the employee absenteeism. Therefore, it is the corporate responsibility to offer programs that receive maximum worker enrollment (Aldan & Pronk, 2001). In a research, Verbeek, Pulliainen, Kankaanpää and Taimela (2010) have discussed diverse range of aspects relevant to the health security in the workspace. He argues that decision authorities should consider the cost of sick leave and incorporate them into the budget. The case also confirmed that cost effectiveness study is transferrable across borders with minor adjustments. In order to prevent workers from chronic diseases, A study by Suk (2011) revealed that occupational medical facility is being provided by the employers implementing the corporate policy so that illness occurrence in the employees can be reduced.

2.4 Employee health and work output
According to Berger, Murray, Xu and Pauly (2001) productivity of worker on the job is closely linked with the health. The worker's health is directly linked with the capital usage that may harm the firm’s yield in terms of physical capital. Bartel and Taubman (1979) highlighted the employee productivity and sickness and underlined that illness cause’s loss of productive hours that an individual could have devoted for work in the firm that can be secured by the occupational medical check and health insurance. The conclusions drawn from the experiment of the study Taimela et al. (2008) demonstrated that the health intervention as a local service was found beneficial and cost effective and produced positive results. Under the study it was found that cost of work loss or unproductive hours was much greater than the cost of health sponsorship and absenteeism (Collins et al., 2005). The relationship of employee health and work output was discussed based on the empirical analysis of literature and it was meaningful to present that employee illness discourages his capacity to work efficiently and also impose serious effects on the salary (Currie & Madrian, 1999). Employees experiencing depression, anxiety or poor mental health are more likely to work less effectively as compared to their contemporaries and also have more chances of entering into severe medical condition (Langlieb & Khan, 2005). There is a huge bunch of the working individuals that stay connected to their workplace despite having sickness and such people fall under “sickness presenteeism”. They also eventually confront adverse coronary experiences (Kivimäki et al., 2005).

Employers take advantage of having health-insured employees by having high productivity and morale and lowering cost of absenteeism (Collins, Davis & Ho, 2005). Organizational strategy planners should design effective measures that prevent the workers from severe illness. Therefore, bringing sickness to work is not profitable for the corporate or employees and also causes poor work output in such health state (Aronsson & Gustafsson, 2005). The extent to which expense incurred by the loss of productive work is not measured so far but with extensive studies conducted earlier it has been discussed that corporate productivity suffers with poor mental and physical health condition. Though, fewer efforts have been exerted that provides valid contribution in measuring the loss of productivity due to poor health (Mattke, Balakrishnan, Bergamo & Newberry, 2007). The most cost confronted by the firms in order to pay for employee illness was contributed by three main medical
conditions: allergic rhinitis, migraine and depression. These health states impair the working capacity of considerable employees and thus shrink the productivity (Stewart, Ricci, Chee & Morganstein, 2003). Employee productivity can be enhanced by promoting and encouraging quality healthcare plans by the enterprises along with cost reduction, decreased turnover and better image of the firm (Aldana & Pronk, 2001).

2.5 Cost containment concern for decision makers and healthcare benefit
The study by Shortell et al. (2015) has described various strategies to reduce corporate healthcare costs incorporating methods of employee contribution, competition and health maintenance organizations as HMOs diminish costs in extensively competitive markets by exchanging ambulatory care for visits at a hospital. Models were used in the study carried out by Sommers (2005) under which a section reported that the cost of health sponsorship is a trouble for the employers as it is continuously increasing along with the premium of the workers. Acs (1995) while investigating the trends of low health insurance coverage between 1988 and 1991 found out that expensive health insurance has been a driving force in low coverage leading to healthcare issues. In a research by Pozarycki (2006) it was revealed that due to the rising cost of health insurance provision by corporations to the employees, organizations are munching the working hours into part-time, moving cost premiums to employees, high priced health plans and cutting wages that pour additional burden on the employee. According to the Zumblo (2005) there are many cost efficient strategies like cost sharing plan, committees that administer cost and benefits, proposing various healthcare options, self-funded associations etc. In another study by Jones (1992) restructuring healthcare was proposed for both decision-makers and beneficiary so that cost can be controlled to the extent that becomes affordable for the purchaser with easy access. In a study by Suk (2011) also exhibited that as a cost reduction strategy; policy makers in U.S are also increasingly working on providing workplace healthcare services.

In encouragement of spreading the healthcare coverage Meyer and Wicks (2001) have mentioned that policy makers are offered with tax-credit as a subsidy that helps them secure their health insurance cost spending on the workers. However, another view has been presented in study by Jensen and Morrissey (1999) in which it has been discussed that employers offer their workers with health insurance adjusting the cost in terms of low salary. The literature based suggestions on the cost reduction strategies in the paper exposes bundled payments, mixed payments, performance based incentives and reporting encouragements (McClellan, 2011). Many firms considered health sponsorship spending as a major employee salary perk in the decade 1980-1990 contributing sizable amount to the cost therefore, to minimize cost many firm took strategic decision of shifting the employees into the ‘managed care programs (Ford, 2002). While reviewing the data in the literature, it was found in a research that employers increase employee contributions when the sponsorship becomes too costly for them. One of the reasons for enhancing the amount of contribution is that the governing board wants the worker to get insured by the spouse’s firm Dranove, Spier and Baker (2000). Regarding insurance packages and health plans for employees aggressive labor economy will secure employers to save on cost by reducing coverage and there is no win-win scenario that supports the employers and firms both rather the employer sponsored healthcare remains the key source of coverage for most of the employers (Blumberg, Buettgens, Feder & Holahran, 2012).

2.6 Contemporary corporate strategies
The study conducted by the Encinosa, and Selden (2001) enhances cost effective risk adjustment along with the best strategy of various health plan options to be provided by the policy makers to the employees so they can choose among them. The study finds out that the corporate employers are revisiting old strategies, and are exploring fresh approaches that appear to hold promise. Contemporary organizations could attain insights by reviewing the results of evidence based efforts of previous research (Shortell et al., 2015)

Bundorf (2010) Conducted an analysis on the provision of multiple choice health plans to employees and concluded that those governing bodies who offer options gain in terms of small premiums and low employee health cost. In another study Vistnes, Cooper and Vistnes (2001) had developed two step model covering health plan concern for both policy makers and workforce. The results suggested that governing body should offer a multiple option plan with a contribution of fixed amount towards all plans equally. The conclusions of the Abraham, Vogt and Gaynor (2006) discussed about the cost containment strategies like plan choices, contribution from workers, other financial advantages to persuade employee for health sponsorship. While designing wellness strategies Morrisey (2001) policy makers have clear idea that cutting a small wage amount and offering a healthcare plan is a costly deal but on the other hand the tax savings will help their business trade off for a better service but accepting the employment based plan depend entirely on the evaluation of the employee against his salary. In another study Dranove, Spier and Baker (2000) have highlighted that some firms are accepting the worker contribution in the corporate sponsored health insurance although tax laws does not encourage any contribution

In his research McClellan (2011) also reported that strategy designers often restrict the healthcare
capacity and deny paying for expensive treatments. However, such strategies may not bring long term benefits in controlling costs. Examining the case of healthcare concern in China, Dong (2003) reported that health insurance based on shared cost by the enterprises have some concerns as it will confine the labor earning small salary except those who have flexible deduction and workers employed at low wages are exempted from it. According to Suk (2011) some U.S firms are hiring physicians on the workplace to examine employees regularly and they are offered to have their say in strategy planning in order to control the environmental illness.

According to Fronstin (2012) the trends after the World War II presents continuous increments in the employment based healthcare offerings on the basis of cost sharing by employer contribution yet there are number of individuals who remain uninsured. Acs (1995) argued that low health insurance coverage has resulted from rising cost of healthcare.

3. Methodology

3.1 Data
Since this is a review article, secondary data is followed where published research papers are considered for investigation which are acquired at online journals, books, and periodicals.

3.2 Variables
Under the topic, following variables are considered to carrying out the study.
- Corporate healthcare sponsorship
- Intermediary variable
- Board of directors
- Employee productivity

3.3 Model
As this paper is based on published researches’ review, therefore a qualitative model of content analysis is followed for investigation.

4. Conclusion, Recommendations, & Future Research

4.1 Conclusion
In light of the literature surveyed and studied for the research criteria, empirical evidence has predicted insufficient gains to the corporations in monetary terms.

However, the available data grants the returns that corporations may gain, in terms of: increased employee turnover, enhanced employee productivity, better healthcare for individuals and less illness claims, with the help of designing appropriate strategies that save the cost and provides healthcare benefit to the employees (O’Brien, 2003). Economists have researched and concluded that there is a strong link between employee state of health and the gains achieved as effective work output. It is the acceptable fact that investment in human capital, labor resources, workforce services and general working environment impose positive impact on the worker’s output which is considered as efficient capital treatment (Berger, Murray, Xu & Pauly, 2001). Large corporations should evaluate the direct and indirect cost of employee sickness that may become profound in the later stages and harm the firm’s working resulting in absenteeism and loss of productivity (Langlieb & Khan, 2005).

In order to remain competitive in the industry among competitors, the board of directors should plan and implement effective healthcare strategies appropriate for their organizational structure, employee preference, and budgetary concerns. There are various strategies presented in the literature: multiple choice plans, occupational healthcare checkups, cost sharing plan and other financial benefits (Abraham, Vogt & Gaynor, 2006).

However, according to Fronstin (2012) the trends in uninsured employees have decreased over time though employer contribution offers for healthcare have increased. There is a need for identifying the potential causes of low coverage.

4.2 Recommendation
Under the extensive data examination and investigation, it was found that corporations differ in their geographical boundaries as well as their organizational structure where employee preferences, wages and organizational budget are dissimilar. Therefore, corporate board of directors should influence the wellness strategic planning within their boundaries. The healthcare program that is appropriate for the firm’s cost account and also benefit employees at optimum level should be the targeted agenda of the board of directors under this concern.
4.3 Future research
There is an ample space for the further investigation of the topic. The literature that can evaluate the direct impact of health insurance seems missing. There is a need for theoretical evidence to address the healthcare sponsorship advantages and other healthcare programs that employ direct impact on the cost incurred by the organization. Also, there is a necessity for identifying measures and instruments that firms can utilize for achieving better understanding of percentage of loss of work and employee productivity so they can gain idea of associated cost of healthcare. Strong evidence of the potential benefits in capital gains will help the decision maker, policy planners and strategy designers to make calculated decisions of healthcare investments. In a nutshell, a contemporary general model for financial loss of productivity and strategic health investments is required for optimum planning by the board of directors, decision makers and owners.

5. References


