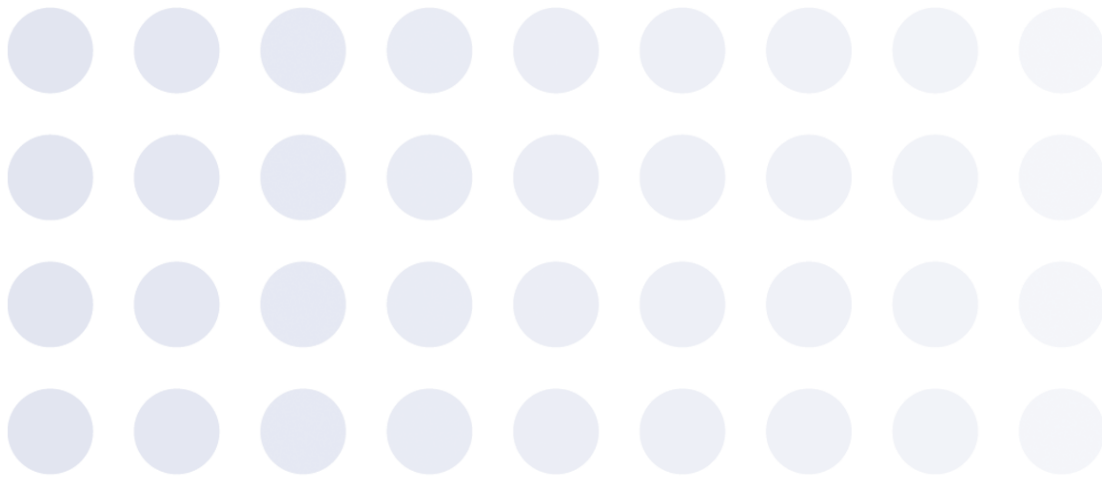


# Financial Wellness: The Health to Wealth Connection



Simplicity  
Health Plans®



# Foreward

As a physician and nurse who have been in the healthcare industry for over 35 years, we have dedicated our careers to helping our patients/members/employees understand the value of good health. The value of health includes quality of life and the prevention of costly chronic health conditions. Avoidance of preventable chronic disease assists individuals with the ability to accumulate personal wealth. Unfortunately, most individuals do not recognize this relationship and feel disempowered, financially stressed and overwhelmed.

In our continued efforts to improve population health and applying our experience from our clients on a self-funded, Consumer Directed Health Plan benefit program administered by our patented Point-of-Service payment system; we saw that the growth of personal wealth (Financial Wellness) became a strong influencer on health behavior change.

## Average Employee Savings of \$90-\$110 dollars

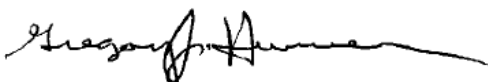
*(More per month in and HSA than the industry standard when used in conjunction with a full replacement high deductible plan)*

This experience inspired Dr. Gregory J. Hummer, CEO and Principal of Simplicity Health Plans to invent the **Health Index Calculator™**. While our program mandated that employees save a certain amount of cash each month into their Health Savings Account (HSA), as a risk partner in the plan, Simplicity needed a more powerful lever to drive health behavior change aside from benefit design.

What we discovered was that when an employee's own cash was "at stake" they quickly realized that they could either pay the doctor for being sick or pay themselves for being healthy. We have come to call this motivational response: "**Personal Economics.**" As employees visualized their own money growing in their HSAs, they were intrinsically motivated to save more money. As such, employees started calling our case management nurses to find other ways to improve their health and divert additional cash savings into their pre-tax Health Savings Account. Thus, the genesis of the Health Index Calculator—an assessment tool that focuses on eight key "modifiable" health and lifestyle behaviors that account for about 75% of all preventable chronic disease and transforms good health into wealth.

Given the market demand and attention of the importance of Financial Wellness, we believe that the power of Personal Economics will become the overall force that drives improved health behavior change and personal wealth for the long term.

As healthcare costs continue to rise and the slow recovering economy and poor health habits impact an individual's ability to save, we believe the Health Index Calculator is an innovative, cost effective and a tangible solution that will assist employers with helping their employees achieve physical and financial wellness.



Gregory J. Hummer, MD  
CEO/Principal



Lisa M. Holland, RN, MBA  
President, The StayFit Plan



### About the data

Simplicity Health Plans is a transaction integrator that creates SaaS technology solutions that address the rising cost healthcare. Our patent pending Health Index Calculator™ is the only physical and financial risk assessment tool in the market. The data points presented in this white paper are based on preliminary outcome data from current end-users of the Health Index Calculator and represent findings from a 6-month period: June-December 2013.



**66%**

of participants plan to make health changes in the next 3-6 months

**72%** Participants report improve knowledge about the health to wealth connection

Average Participation **66%**  
(when linked to an employer sponsored incentive)

Increased Participation  
in EAP by **2.5%**

**78%**

of participants who completed the Health Index Calculator reported that the tool was easy to use



“I did kind of have an aha moment when I was working on the Health Index Calculator. I’ve always enjoyed working out and eating right for the sake of staying in shape and feeling good.

And just like everybody else out there, I’m always striving to move forward in my career and make more money. I just never put the 2 together. I could actually make more money just by focusing on good health.

It actually helps in various ways by saving on healthcare costs as well as being at the top of your game physically, mentally and emotionally to perform your job. As someone that’s always looking for the motivation to eat the right thing or stick to a workout regimen, I can now look at it from a different perspective and stay on track.”

– Donald Danson (Age 48), 2014 Gilbane (Fortune 100 Company)

**Gilbane**

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**“When you can actually see how much money you spend on unhealthy habits, it really sticks with you!**

**It made me want to start changing my behavior immediately.”**

*– HIC End-User 2012*



## Financial Wellness Overview

It is well documented in health and wellness literature that individuals who maintain or engage in good health habits have lower healthcare costs, improve their productivity and generally have more disposable income.<sup>i</sup>

Despite this information, Americans still struggle with improving their health which can negatively impact their personal finances. There is quite a bit of media attention these days that addresses the importance of Financial Wellness. This term is understood by most to mean one’s ability to effectively manage a budget, save adequately and invest wisely to prepare for retirement. While this definition is true in its traditional sense, there is a key component of this definition that is missing; where do individuals “find” the money they need to improve the quality of their life? The answer is quite simple; it’s improving the quality of their health.

There are significant similarities between physical health and wealth. However, in most instances people have not connected these two elements because there was no tangible way to visualize how an individual’s physical health habits and lifestyle behaviors translated into actual dollars.

Understanding and visualizing the actual monetary amount that good health and bad health produce, becomes an important aspect of behavior change. When an individual is able to monetize their health behaviors and see the projected savings from the achievement of a new health behavior, then the new behavior appears tangibly valuable and the money (person-centered incentive, a.k.a “Personal Economics”) becomes a motivating factor.

Many employers and health plans are using monetary incentives to encourage individuals to become healthier by engaging in healthy behaviors that will improve their health. However, according to a 2012 survey from the National Business Group on Health, 68% of employees reported that they did not favor this type of employer wellness incentive design.<sup>ii</sup> This perception is likely a result of the lack of a shared-value approach, which considers not just the needs of the organization, but integrates each individual employee into the organizational design so that the end results are shared by all stakeholders.<sup>iii</sup> The employee negative perception is further validated by new behavioral

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**“The Health Index Calculator is the solution that definitively links good health to financial wellness. It combines the best aspects of a health risk assessment into a content rich tool that motivates health behavior change by using personal economics.”**

*– Dr. Dee Edington PhD.*



research from the Journal of Workplace Behavioral Health that infers that these same incentive designs lack a “person-centered” focus.<sup>iv</sup> This “new” concept of person-centered incentives may be a better way to improve individual behavior change since the approach drives change by motivating individual gain. Externalized incentives such as “money you may or may not receive” are much weaker compared to internalized incentives such as “your own money” at risk.

In a three year study on 2,000 members covered under the Simplicity Health Plans self-funded full replacement high deductible with an HSA, individuals using concepts embodied in the Personal Economics development model used a Health Index Calculator™ (Figure 1.0) to motivate them to save an additional \$90-\$100 more per month in their Health Savings Account (HSA) as compared to the national average HSA saver. During this same period, claims cost for plan sponsors were also lowered and in some cases loss ratios plummeted. All members in the plan had 100% coverage for all of their preventive care. The utilization of preventive care mirrored national averages of about six percent (6%).

The message to members was simple; “you can pay yourself to be healthy or pay the doctor to be sick”. By the end of the three year study, even the most rudimentary members understood the message and the Personal Economic model demonstrated that when an incentive is person-focused, it makes all the difference in the world how an individual will behave!

The Health Index Calculator (HIC) is a patent-pending, online assessment tool developed by Simplicity Health Plans® ([www.simplicityhealthplan.com](http://www.simplicityhealthplan.com)) that applies “Personal Economics” to ignite behavior change. Personal Economics is a conceptual model that is synonymous with the person-centered incentive model. When an individual is able to assess and monetize their current physical health and lifestyle habits and compare this information against projected savings (achieved through improved health), a loss aversion is realized that results in action to achieve improved health and personal financial wellness.

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## Personal Economics

Figure 1.0



“This is a new concept to many organizations and employees. Finding the best way to connect with each of their respective interests is always a challenge. Connecting changes in health risk behaviors to personal economics is truly a terrific concept.”

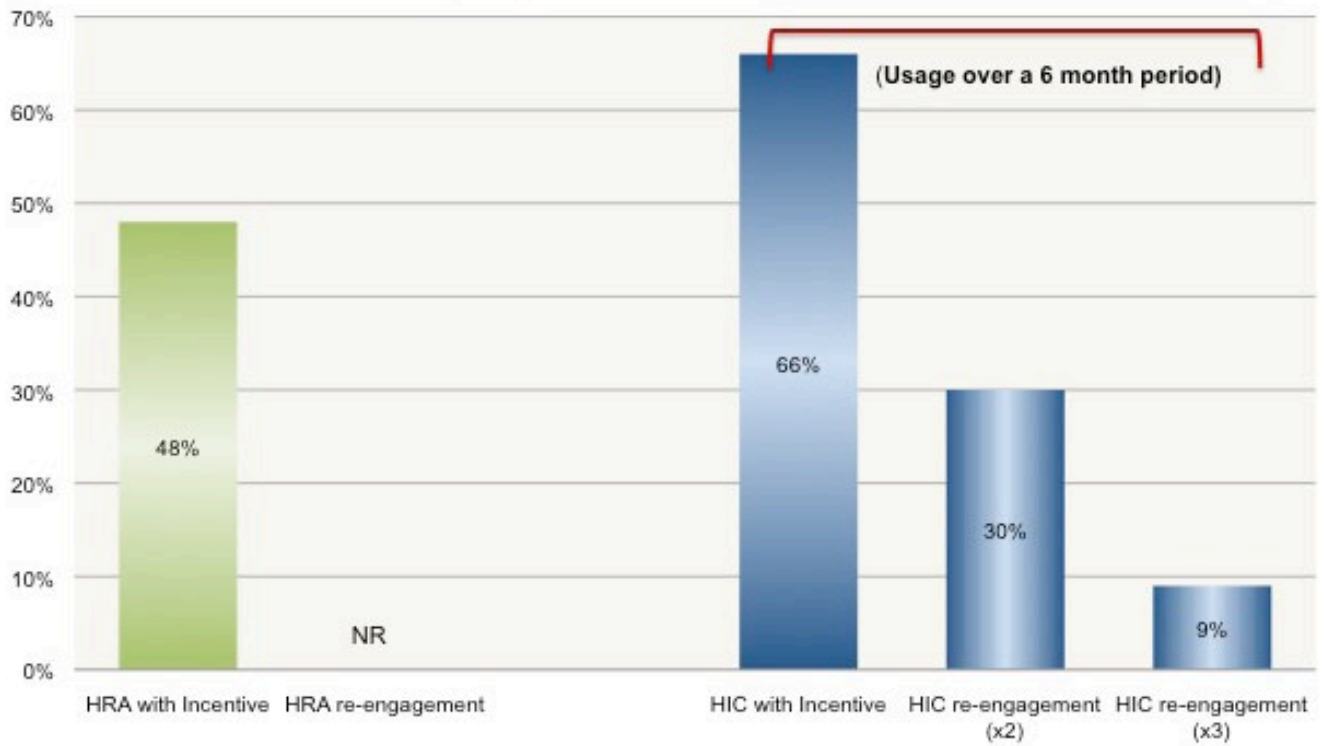
– Dee Edington, PhD, author of *Zero Trends, Healthcare as a Serious Economic Business Strategy*.



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## HRA vs. HIC Engagement

Figure 2.0



Source:  
2012 Health & Well-Being Touchstone Survey Results PwC  
2013 Behavioral Change Results Simplicity Health Plans



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“I never really thought about how my stress levels affected my financial status. On the other hand, I could imagine how my daily glass of wine affected my wallet, or did I see the entire picture?! The health calculator does all the math, every variable and returns the results in black and white. It’s an eye opener!”

– HIC End-User 2013



## Tactics and Strategies

The HIC is based on seven (7) tactics that support the Personal Economic incentive approach to behavior change:

### **Tactic 1: Assessment**

In most cases, individuals are completely unaware of the connection between personal health, lifestyle habits, and their ability to accumulate wealth. Understanding this connection supports increased awareness and provides individuals with the opportunity to make informed decisions about their health and personal finances. The HIC is the first tool of its kind that allows individuals to assess and measure their financial and physical risk factors to compute a conservative estimate of loss (poor health) and savings (good health). (Figure 2.0)

### **Tactic 2: Personal Economics (Person-Centered Incentive)**

One of the most powerful motivational strategies to improve health and increase wealth is visualization.<sup>v</sup> The HIC allows individuals to easily visualize the real dollar value of poor health and good health behavior. Once these costs and potential savings can be seen, the power of “Personal Economics” ignites action and drives incremental lifestyle changes to improve health, which will ultimately translate

to improved wealth. Personal Economics is an intrinsic incentive motivator that supports incremental behavior change. Change is never easy, which is why the HIC allows individuals to create personal reminder Alerts that reinforce their health goals.

### **Tactic 3: Incremental Steps to Health and Wealth**

Instant gratification is an epidemic in America. People want immediate results in everything they do and this includes better health and increased wealth. The problem with this mentality is that it is counterproductive to sustainable behavior change. Losing weight or saving adequately for retirement is not going to happen overnight. These types of meaningful changes require a concerted effort and a commitment to personal goals in order to be sustainable over time. It is also not necessary for individuals to take on an “all or nothing” approach to behavior change. In fact, the best way to approach change is through small, incremental changes that will ultimately result in lasting success. Often just changing one habit can have a relatively large impact on health and wealth. For example, if someone replaced their daily \$4.28 Caramel Macchiato coffee

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“We feel that this unique and innovative approach will catch on very quickly and gain the attention of employers seeking to address financial wellness in the workplace.”

– Gilbane, Inc. 2013



(340 calories)<sup>vi</sup> with a \$1.60 regular coffee (70 calories), they could save money and calories. Let’s look at the math from a health and wealth perspective for this small change: Based on the above, this individual would avoid 2,380 calories over 7 days (0.67 pounds) and save \$18.76 over 7 days or \$6,847.40 in a year! Not a coffee drinker, let’s look at alcohol use. In 2012, 71% of people aged 18 or older reported that they drank alcohol in the past year and 56.3% reported that they drank in the past month.<sup>vii</sup> By reducing one drink from the average adult age 18 or older who consumes 2 drinks per day per week at a cost of \$6.50 a drink, an individual can save \$1,690 dollars a year and 485 calories per week (distilled spirits). Imagine how much more money could be saved if these savings were deposited into a tax deferred account such as a 401k, Health Saving Account or other investment option. These two examples are a great illustration of the health to wealth connection and how easy it can be to make incremental changes that will transform improved health habits into personal wealth. An important first step to achieving financial wellness is managing everyday expenses. As in the example above, seemingly simple, day-to-day expenses could be costing more than is realized, so it

is important to understand spending in order to manage money better. The HIC provides a variety of tools and resources to assist individuals with money management that may also help to further motivate behavior change. The Personal Money Management worksheet is one of the easy-to-use tools that can be downloaded to help individuals identify where to begin their path to effectively managing their money and improve their health.

## Tactic 4: Health and Wealth Support-Health Icons

Individuals on a path to health and wealth are naturally progressing through the various stages of change:

- Pre-contemplation – not really ready to take action.
- Contemplation – getting ready and recognize a need to change.
- Preparation – ready to begin/assess resources and seek assistance.
- Action – engaged in specific modifications to address behavior.
- Maintenance – sustaining behavior and engaged in action to prevent relapse.

Most individuals regardless of which stage they are in are actively seeking assistance/support to help them meet, achieve and sustain their personal health and wealth goals.

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**“The aggregate information from the HIC is helping us target financial risk among our population so that we can work effectively with our wealth management vendor to address “the right” finance topics for our employees.**

*– Wright-Pierce 2013*



There is an abundance of health and wealth resources available today, but finding reliable and relevant resources is not always an easy task. The HIC is able to combine a variety of support tools in one central location to make the health to wealth process simple and easy. To enhance cost-effectiveness and integration of services, the HIC is able to customize Health Icons within the tool to align with employer specific benefits and services. In addition, the tool includes a variety of relevant and reliable external resources (sponsorship opportunities) that align with the eight (8) distinct Health Icons; Tobacco, Blood Glucose, Alcohol, Cholesterol, Weight, Blood Pressure, Stress, and Physical Activity.

In addition to the Health Icons, the HIC includes a Financial Planner Icon which can also be customized to include access to an employer’s financial support services such as a wealth Management Company for 401k investing or an Employee Assistance Program (EAP). Another resource includes the Personal Money Management Icon. As previously mentioned, this icon provides links to worksheets and learning modules that can help employees start down a path to better money management as part of their health to wealth journey.

## **Tactic 5: Transforming Health to Wealth**

Most people are able to make lasting improvements to their health and wealth of their own accord if they have access to relevant resources, programs and services that can help them achieve their goals. According to Prochaska’s transtheoretical behavior change model, as long as an individual can successfully migrate through the stages of change without significant resource barriers, then an individual is likely to maintain their changed behavior over time (Maintenance Stage).<sup>viii</sup> People in the maintenance stage generally have changed their behavior for more than 6 months. Because it is important for people in this stage to be aware of situations that may tempt them to slip back into doing the unhealthy behavior, it is recommended that individuals revisit the HIC to re-assess their health to wealth status and perhaps be able to find more ways to achieve incremental lifestyle change.

## **Tactic 6: Measurement & Benchmarks**

The principals of W. Edwards Deming and Total Quality Management (TQM) have demonstrated that it is necessary to understand measurements in order to effectively manage something. This adage holds

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**“I couldn’t believe how much money I was spending on food—I didn’t think I was overweight, but the calculator results showed me I was overweight and I could save a lot of money if I changed my eating habits. I started to reduce my portion sizes and now my grocery bill is less and I have more disposable income.”**

*– HIC End-User 2012*



true for behavior change as well and aspects of the personal health to wealth connection. To understand problems to be addressed, an individual needs to have a means (HIC) to measure the health to wealth connection to improve their knowledge about how their current health behaviors and changes in future health status will impact the ability to transform good health habits into personal wealth. Individuals cannot be asked, or even motivated to manage their health and finances if they don’t understand what getting worse or better means in terms of measurement (health improvements) and its monetary value (savings).

Using financial wellness surveys adapted from the Personal Finance Employee Education Foundation (PFEFF) and evidence-based health and economic information, the HIC is able to formulate quantifiable financial wellness index scores and estimates of monetary loss (Baseline Health Index) and monetary gain (New Health Index) that offers a reliable and conservative measurement of their health and wealth status. This information can be re-assessed at 3, 6 and 12 month intervals to determine if the individual health behavior change has been reached and if, through self-directed savings, the individual achieved the

estimated savings projected resulting in improved financial wellness.

## **Tactic 7: Achieving Success**

It has been said that the greatest wealth is health, but let’s face it; healthcare and finance are complicated topics that most people have a tendency to shy away from because they do not have the knowledge, tools and resources to make better health and wealth decisions. Without knowing how health is connected to wealth, individuals may never be able to improve either state.

The HIC is an easy-to-use online tool that takes the complexity out of the learning equation and provides a fun, personalized and interactive way for individuals to learn how health behavior change can add up to real cost savings. Taking action and setting a start date is improved because the HIC’s Personal Economic behavior change model (person-centered incentive) provides the intrinsic motivation required to help individuals engage in healthier lifestyles and behaviors that will result in improved physical and financial wellbeing for the long-term.

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## About Simplicity Health Plans

Headquartered in Cleveland, Ohio, Simplicity Health Plans is a transaction integrator that creates Software as a Service (SaaS) technologies for comprehensive consumer healthcare solutions that offer an “End-to-End” cure for rising healthcare expenditures, which includes the best implementation of a CDHP/HSA. Simplicity aligns the interests of the Provider, Employer, and Employee to provide a turn-key, fully integrated Consumer Directed Health platform. Our technology portfolio includes; the Health Index Calculator™ (Health2Cash™ App), the StayFit Plan™ wellness platform; and the patented proven CDHP/HSA Point of Service Payment System for healthcare, which fuses unparalleled technology, point of service adjudication, real-time data, and anti-fraud controls.

For more information, visit [www.simplicityhealthplan.com](http://www.simplicityhealthplan.com)

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## Methodology

The Health Index Calculator (HIC) uses published economic evidence-based health and financial research to calculate the financial impact to an individual based on their current health/wealth risk-related factors and their selected health/wealth goals. The algorithm accounts for a population mix of adults' ages 20-64 years in the United States workforce. The HIC focuses on eight (8) distinct health behaviors since approximately 25% of employee health care use is potentially preventable and associated with the following health risk factors: smoking, stress, high blood sugar, obesity, elevated blood pressure, sedentary lifestyle and depression risk. In addition to these risk factors, the HIC also includes alcohol use and cholesterol, thus making up the eight (8) health behaviors, which are represented by corresponding icons. The economic impact of six (6) of the health and wealth risk-related factors is determined using an extrapolation methodology, which applies an economic conversion or risk change. Using evidence-based literature that identifies the economic cost associated with the presence of an identified risk, an extrapolation of the likely economic savings is derived. The excess costs associated from a single risk factor can be conservatively based on the extent of the risk reduction. The calculated amount is the likely economic savings based on the difference between the baseline health/wealth risk-related data point and the projected health/wealth risk-related goal. The economic impact of two (2) of the health and wealth risk-related factors is based on self-reported quantity and geographic cost information for alcohol and tobacco. The HIC calculations do not consider co-morbidities and do not account for co-morbid cost implications.