THE BUSINESS VALUE OF HEALTH BENEFITS

FINDINGS FROM IBI'S 2020 CFO SURVEY

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EXECUTIVE SUMMARY

IBI's Chief Financial Officer (CFO) survey series began in 2002. In the intervening years, our findings have revealed CFOs as strategic, collaborative partners who consider the big-picture value of their health benefits decisions, even when that value is hard to express in monetary terms. This contrasts with the tactical, one-dimensional financial approach that many benefits professionals take when demonstrating the value of health benefits to senior finance executives.

To help benefits professionals—including vice presidents, directors, and managers of corporate health benefits but also external partners such as brokers, consultants, and benefits suppliers—develop business-relevant evidence that aligns with the C-suite's strategic priorities, IBI partnered with Argyle Executive Forum, publishers of *CFO Magazine* and CFO.com, to survey more than 300 CFOs and other senior financial executives.[1]

The survey had four key goals in mind:

1. To verify that CFOs continue to play a meaningful role in decisions about their health benefits strategy
2. To understand how CFOs view the business impact when illnesses prevent employees from contributing fully on the job
3. To assess CFOs' level of confidence that their company's health benefits strategy contributes to business success
4. To identify the types of information that helps CFOs understand how their company's health benefits strategy supports employees' ability to contribute to the success of the business

Key findings include:

- **CFOs are a prime audience for conversations about benefits design and business performance.** More than half of CFOs reported that they make all or most benefits decisions or make decisions in partnership with other business functions.
- **CFOs' strategic view of health benefits is broader than healthcare.** About three-quarters of CFOs considered time-off and wellness/well-being policies as part of their health benefits strategy.
- **Costs are important to the health benefits strategy but not dominant.** Nearly half of CFOs did not agree with the statement "Controlling healthcare costs is the most important consideration in our company's health benefits decisions." Fewer than one in five strongly agreed with the statement.
- **CFOs recognize the business impact of their employees' health status.** Lower revenues and increased demands on other employees were most often cited as the "most serious" consequence when health issues limit employees' abilities to work. Overall, "increased chance of business errors" was viewed as equally serious with "lower revenues," while other operational outcomes such as "decreased customer service quality" and "missed deadlines" round out the top five serious consequences—above the additional costs of sick-day/disability wages and expenses for temporary workers/overtime.

- **Metrics and health data inspire confidence that a health benefits strategy contributes to business success.** Few CFOs were "very confident" that their health benefits strategy contributes to health and productivity outcomes such as supporting employees' ability to function well on the job, helping enrollees improve and sustain health, improving business units' operational performance, and reducing the need for sick-day and disability leaves. Yet overall, CFOs at companies that tracked the goals of their benefits strategy or who received general information about workforce health and productivity expressed the most confidence in their benefits.

- **A small number of metrics make the biggest impact on CFOs' confidence in the business value of their health benefits strategy.** Important information includes enrollees' health status, satisfaction with benefits, financial return on investment (ROI), business units' operational metrics/key performance indicators (KPIs), healthcare utilization, and mental health conditions. The most common forms of information—such as healthcare spending and participation in programs—had no independent association with CFOs' confidence in their benefits strategy.

Our findings reaffirm that CFOs and other senior financial executives are important stakeholders in a health benefits strategy—not simply because they control the company's purse strings but because they make decisions about benefits, entirely or in partnership with other business functions. Far from being singularly driven by bottom-line considerations, CFOs recognize how employees' illnesses impact their company's business operations. Armed with either tracking metrics or more general health information, they express confidence that their health benefits contribute to business success by improving employees' health and productivity. While financial indicators inspire confidence in a company's health benefits strategy, metrics and measures of healthcare spending, costs of absences, and ROI by no means dominate CFOs' thinking. Operational metrics, KPIs, and indicators of physical and mental well-being also influence senior financial executives' buy-in for investments in workforce health.

A few simple takeaways for benefits professionals tasked with developing, implementing, and demonstrating the business value of health benefits to senior leadership emerge from these findings:

- Measure everything necessary to manage health benefits—but build your business case on the measures that matter to your senior leaders.

- Assume that your CFO takes a strategic view of health benefits that includes nonfinancial goals.

- Work with senior leaders to identify how health and productivity fit into the company's existing strategic plan and link carefully selected health metrics to the KPIs they already use to manage the entire business.[2]

BACKGROUND

The chief financial officer (CFO) is responsible for ensuring that a company's financial resources further its business strategy. In a series of reports stretching back to 2002, IBI has surveyed CFOs and other senior financial executives about managing health benefits as a portfolio of investments in a healthy, productive workforce.[3-6] Together, these studies portray CFOs as business leaders who defy easy characterizations of bottom-line-driven cost cutters, weighing every alternative program or policy by its return on investment (ROI) or its direct impact on the financial statements. Instead, we have found strategic, collaborative partners who consider the big-picture value in their benefits decisions, even when that value is hard to express in monetary terms. This has been consistent through the aftermath of the dot-com bubble,[3] the boom years that preceded the Great Recession,[4] and the long recovery that saw, among other things, the passage of the Affordable Care Act.[5,6]

Yet many professionals who design, implement, and manage employee health benefits—for their company or for their clients—still take pains to assert positive ROI or cost containment as the measure of their success, often to the exclusion of other factors that CFOs consider when making benefits decisions. This is reflected in the benefits research literature as well. A simple search for the term *ROI* in the archives of two peer-reviewed journals that routinely publish health and productivity studies (*Journal of Occupational and Environmental Medicine* and *American Journal of Health Promotion*)* returned 37 articles in the past five years, as well as sometimes lively editorial commentary on the pros and cons of financial valuations.[7]

A cost/benefit analysis is understandable—even essential—for managing employee programs. Yet when it comes to making a business case for health investments, the risk is that a failure to achieve narrow, short-term financial returns will overshadow progress toward achieving senior leaders' larger priorities—such as improving employee health and productivity as a longer-term business strategy.[8-11]

Shifting the discussion to "value on investment" by considering improvements in employee engagement or turnover can provide a more balanced business case for a healthy workforce.[12] As is true of narrowly financial assessments, however, value demonstrations that default to a small number of benefits management metrics—without considering senior leaders' understanding of how illness impacts business operations or their expectations for health benefits in the big picture—could still miss the mark when it comes to encouraging CFOs' buy-in.

*Searches were conducted on each journal's website, https://journals.lww.com/joem/pages/default.aspx and https://journals.sagepub.com/home/ahp, respectively, on August 19, 2020.

Research goals

To help benefits professionals—including vice presidents, directors, and managers of corporate health benefits, as well as external partners such as brokers, consultants, and benefits suppliers—develop business-relevant evidence that aligns with the C-suite's strategic priorities, IBI partnered with Argyle Executive Forum (publishers of *CFO Magazine* and CFO.com*) to survey more than 300 CFOs and other senior financial executives.

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The survey

The survey was administered from April 27, 2020, through May 27, 2020, to subscribers of *CFO Magazine.* Respondents were included in the survey if they performed a finance function in their organization at the CFO, executive vice president, senior vice president, vice president, assistant vice president, or director level and their company's annual revenues were at least $100M. A total of 318 respondents completed the survey.

For a summary of respondents' characteristics, see the Appendix. Regardless of job title, for simplicity this report refers to all respondents generically as "CFOs."

In the introductory material, respondents were advised that "this survey is about how your company's health benefits strategy supports employees' ability to contribute to the success of the business." To emphasize the broad focus of the study, respondents were further advised that "health benefits" referred not just to health insurance but to any company-sponsored policy or program designed to improve enrollees' (employees, dependents, or retirees) health or otherwise reduce the financial burden of illness on the company.

*https://www.cfo.com/cfo-magazine/

Business During COVID-19: The Advantage of Pandemic Planning

Preparations for IBI's CFO research began in the fourth quarter (Q4) of 2019, with the survey scheduled to take place in Q2 2020.

The COVID-19 pandemic motivated IBI and its research partners to reassess the project's purpose in the bigger scheme of things.

After some deliberation, we decided to include several questions about how the pandemic impacted business operations, employee benefits, and companies' preparedness for current and future emergencies.

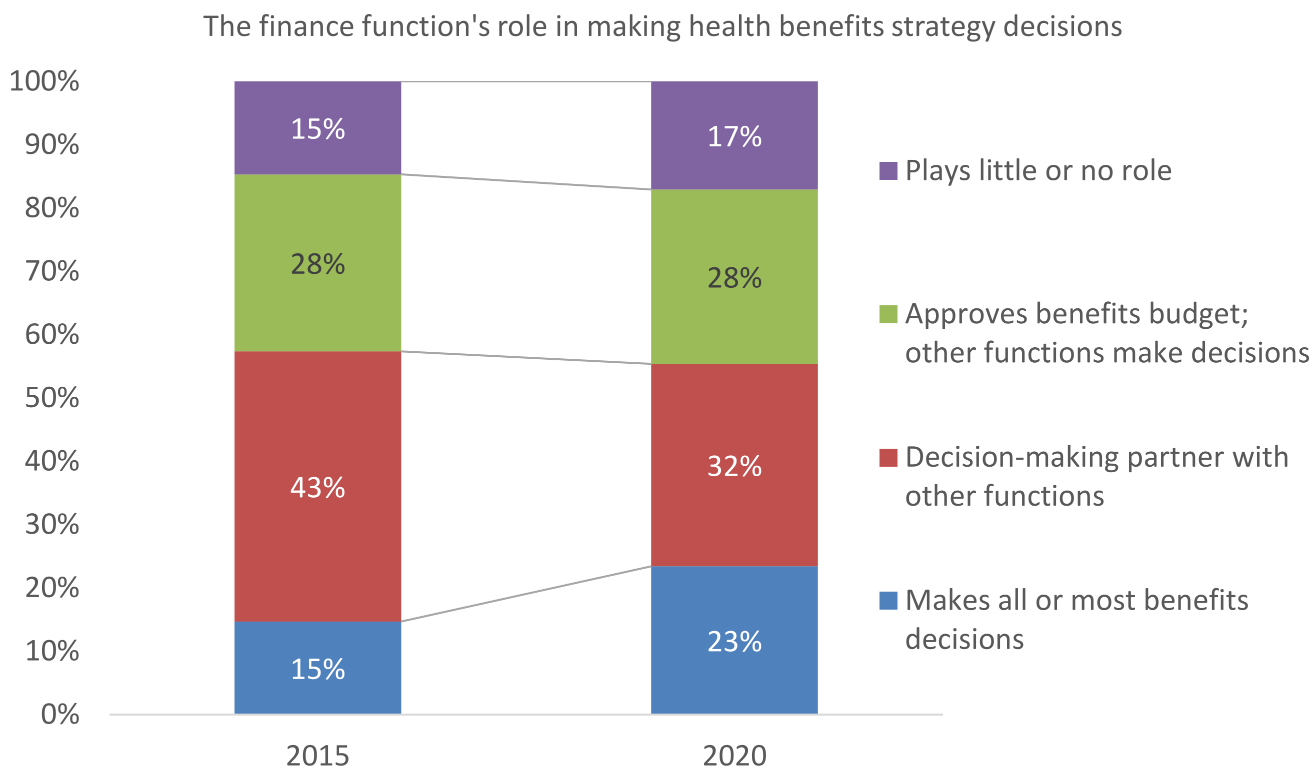
CFOs' responses to those questions—published by IBI in August 2020[1]—indicate that prior to 2020 only one in four companies had a business continuity plan specifically for operating during pandemics. These companies were better prepared than others to continue operations and support their employees during the COVID-19 emergency. Businesses that built pandemic responses into their existing continuity plans during the crisis generally fared better than those that did not.

RESULTS

CFOs ARE A PRIME AUDIENCE FOR CONVERSATIONS ABOUT BENEFITS DESIGN AND BUSINESS PERFORMANCE

In prior IBI surveys, CFOs[4-6] indicated that at their company the finance function played a major role in benefits decisions. Figure 1 shows that in 2020 about half of CFOs reported that they made all or most benefits decisions or shared responsibilities with other business functions. This was similar to the share reported by CFOs in IBI's 2015 survey. An important difference, however, is that the share reporting that the finance function makes all or most benefits decisions grew by more than 50%—from 15% in 2015 to 23% in 2020. This could reflect the growing budget impact of healthcare benefits, but it may also reflect a broader recognition that workforce health affects more than bottom-line costs.

Figure 1: More than half of CFOs reported that they make all or most benefits decisions or make decisions in partnership with other business functions.

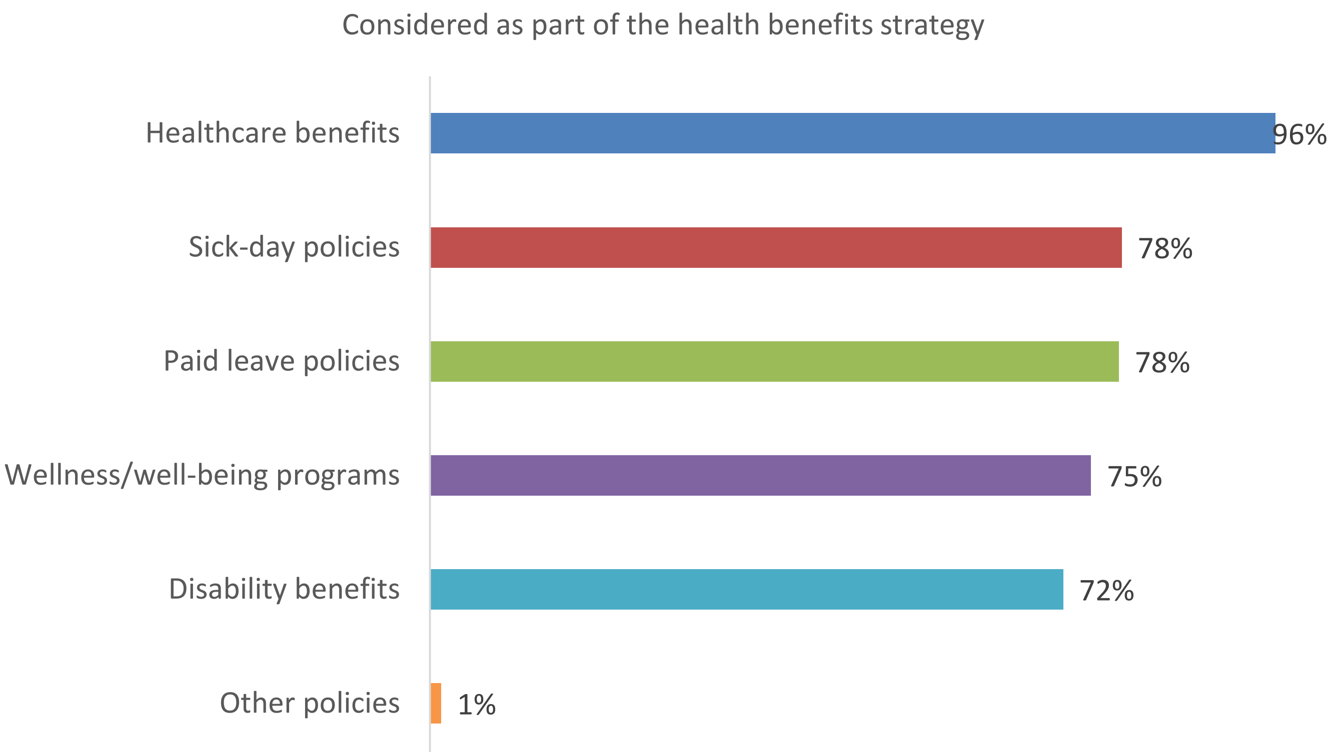


Question wording: "In your company, how would you describe the finance function's role in making decisions about your company's health benefits strategy? The finance function..." Note: columns may not sum to 100% due to rounding.

CFOs' STRATEGIC VIEW OF HEALTH BENEFITS IS BROADER THAN HEALTHCARE

Figure 2 shows that CFOs in the survey thought expansively when considering their own company's health benefits strategy. Nearly all considered healthcare benefits as part of the strategy. Time-off benefits such as paid leave, sick days, and disability benefits, however, were cited as part of the strategy by about three-quarters of respondents, as were wellness/well-being programs. Importantly, only 1% reported "other policies." This suggests that although each of the survey response categories can accommodate a variety of different programs and policies (particularly "wellness/well-being"), together they represent a comprehensive employee health benefits strategy.

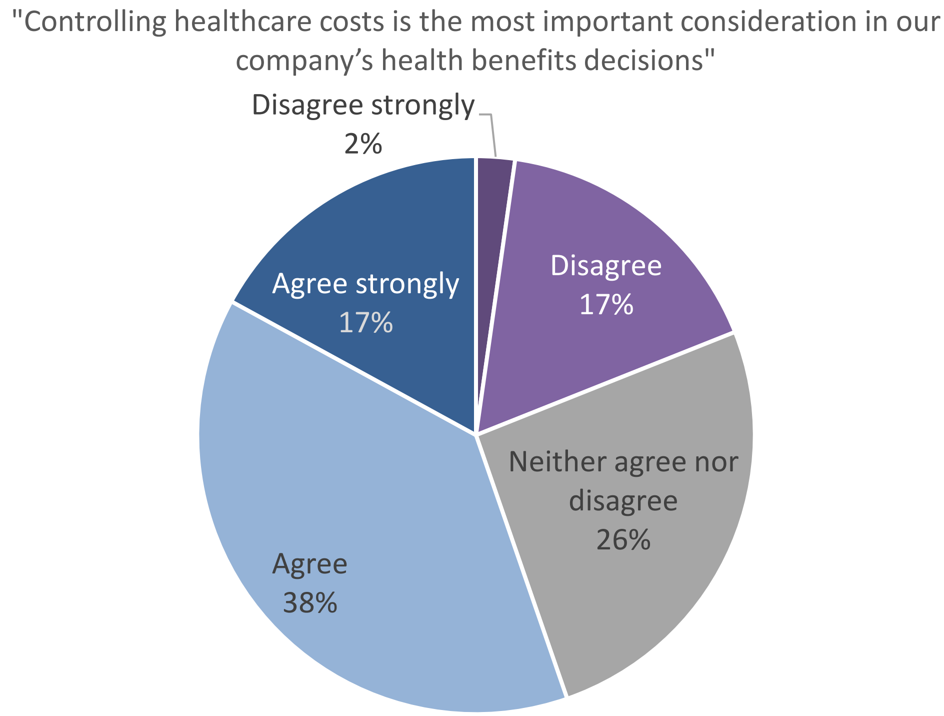
Figure 2: About three-quarters of CFOs considered time-off and wellness/well-being policies as part of their health benefits strategy.



Question wording: "Which of the following do you consider to be part of your company's health benefits strategy? (Check all that apply.)"

In addition to thinking broadly about the programs that make up their company's health benefits strategy, CFOs' responses also indicated that their strategy was driven by more than financial considerations. Figure 3 shows that nearly half *did not agree* explicitly with the statement "Controlling healthcare costs is the most important consideration in our company's health benefits decisions." Fewer than one in five strongly agreed with the statement, slightly less than the share who disagreed or strongly disagreed with the statement.

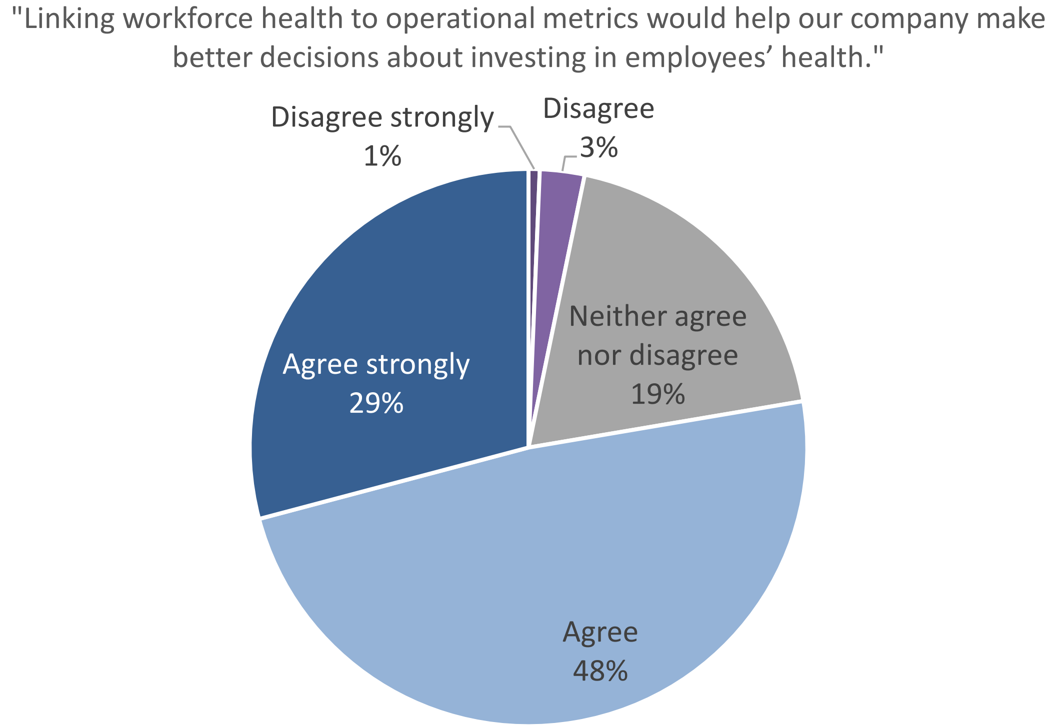
Figure 3: Costs are important to the health benefits strategy but not dominant.



Question wording: "How much do you agree or disagree with the following statements?… Controlling healthcare costs is the most important consideration in our company's health benefits decisions." The response "neither agree nor disagree" includes three responses of "don't know."

Figure 3 also demonstrates that costs, while important, do not dominate considerations about a health benefits strategy. Figure 4 suggests an appetite for actionable information about how employees' health contributes to business performance. Four of five CFOs agreed or agreed strongly that linking employees' health to operational metrics would help their company make health investment decisions. Most of the remaining fifth were ambivalent, reporting that they neither agreed nor disagreed with the statement.

Figure 4: CFOs have a strong appetite for actionable information about how employees' health contributes to business performance.



Question wording: "How much do you agree or disagree with the following statements?… Linking workforce health to operational metrics would help our company make better decisions about investing in employees' health." The response "neither agree nor disagree" includes eight responses of "don't know."

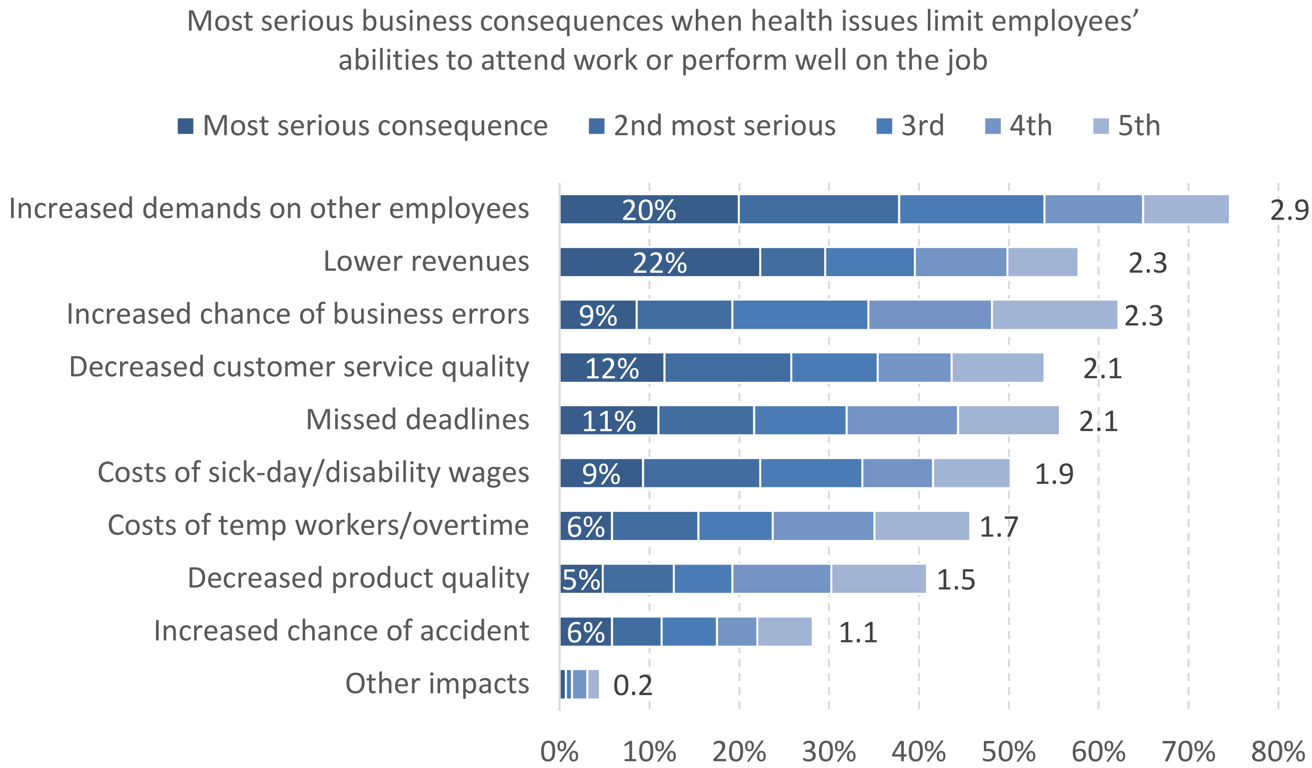
CFOs' strong endorsement of the idea that linking workforce health to operational metrics would improve benefits decisions reflects a recognition of the business impact of illness. Figure 5 shows that lower revenues and increased demands on other employees were most often cited as the "most serious consequence" when health issues limit employees' ability to work.

In terms of the overall seriousness of each outcome (see the sidebar for the calculation method), "increased chance of business errors" received the same score as "lower revenues," while other operational outcomes such as "decreased customer service quality" and "missed deadlines" rounded out the top five consequences—ahead of the additional costs of sick-day/disability wages and expenses for temporary workers/overtime. These findings affirm the view that while CFOs' benefits focus includes financial issues such as revenues and expenses, they are also attuned to the larger business perspective.

Scoring the Overall Consequences of Illness

The items in Figure 5 are listed according to the overall seriousness of the business consequences of illness-related absence and performance impairments. Respondents were instructed to rank the top five most serious business consequences from the items on the list. For the overall score, we assigned each response of "most serious consequence" a score of 5 (indicating the most important of their five choices). The "2nd most serious" responses were scored a 4, 3rd was scored a 3, 4th was scored a 2, and 5th was scored a 1. We then calculated the average score for each item based on the number of responses in each category. Based on this method, "increased demands on other employees" received the top score (2.9); "increased chance of accident" received the lowest score of 1.1 (besides "other impacts" [0.2]). "Decreased customer service quality" tied in the middle with "missed deadlines" (2.1).

Figure 5: CFOs recognize the business impact of their employees' health issues.



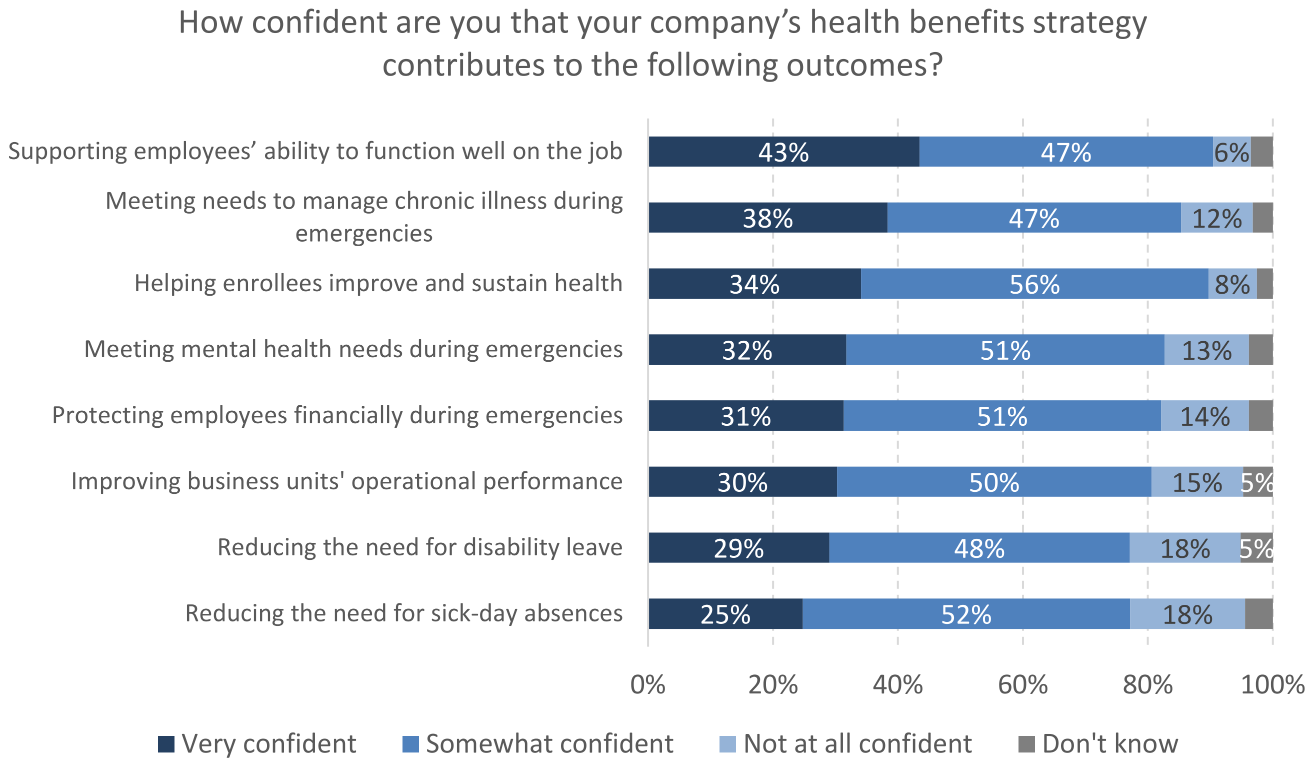
Question wording: "What are the top 5 most serious business consequences for your company when health issues limit employees' abilities to attend work or perform well on the job?" Respondents were presented with the listed items in randomized order and instructed to "rank the most serious consequence with a 1, the second most serious consequence with a 2, and so on, up to your top 5." Overall scores are shown to the right of the bars.

How confident are CFOs that their health benefits strategy contributes to business performance?

CFOs' responses thus far reveal a strategic perspective of health benefits that encompasses nonfinancial business outcomes as well as financial results. It is not clear, however, that this translates into high confidence that their own company's benefits strategy contributes to larger business performance—which could present a challenge for obtaining their sustained buy-in for investments in employee health and productivity.

Figure 6 shows that less than half of CFOs were "very confident" that their company's health benefits strategy supports employees' ability to function well on the job. Confidence was lower still for helping enrollees improve and sustain health, improving business units' operational performance, and reducing the need for disability leave and sick-day absences. In fact, for sick days and disability leaves, the share of CFOs reporting "not at all confident" or "don't know" was nearly equal to the share reporting "very confident." This may reflect limited access to data that integrate health with absence-related outcomes or a recognition that work absence is impacted by forces beyond health.

Figure 6: Few CFOs were "very confident" that their health benefits strategy contributes to health and productivity outcomes.



Question wording: "How confident are you that your company's health benefits strategy contributes to the following outcomes?" "Don't know" responses lower than 5% of the total are not labeled.

Confidence in Benefits Strategy

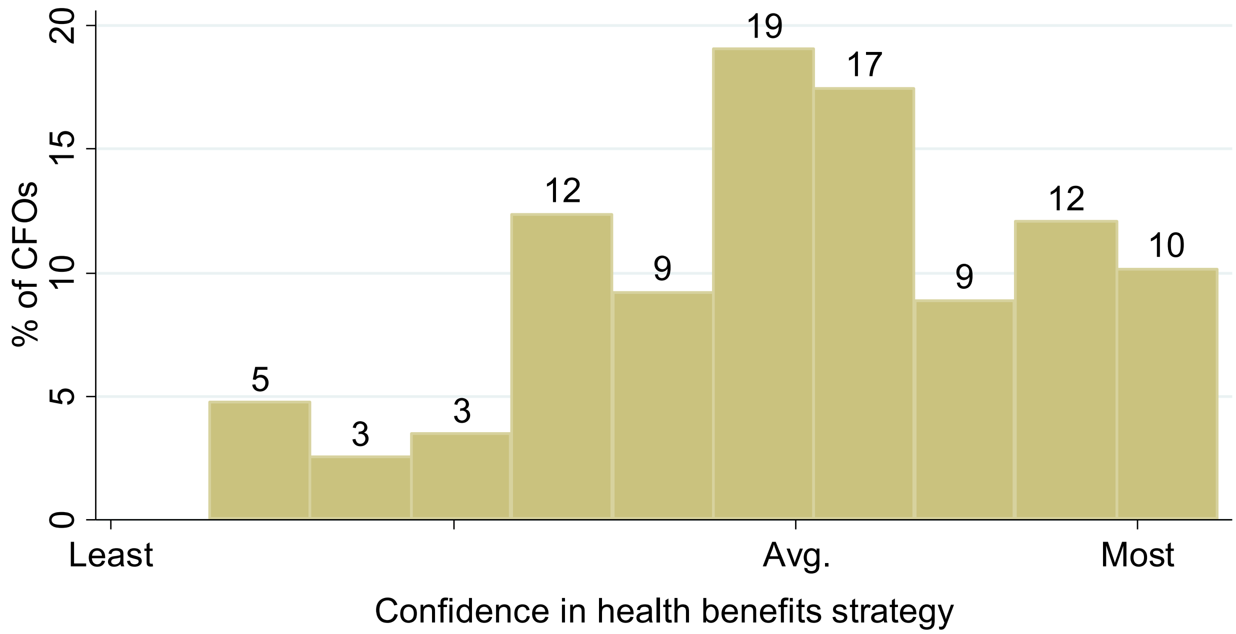
We know that CFOs' responses to confidence items correspond with one another based on a reliability test of items in a scale (Cronbach's $\alpha = 0.881$). This high level of reliability allows us to combine the confidence items to produce an overall confidence score.

Responses to each item are first assigned a score of 3 for "very confident," a 2 for "somewhat confident," and a 1 for "not at all confident" and "don't know."

The confidence scores for each CFO are then computed as the average responses to each item, standardized to have a mean of 0 and a standard deviation of ±1. The interpretation is that negative confidence scores are lower than average, while positive scores are higher than average.

While confidence levels in different health and productivity outcomes differed, we found that CFOs' confidence in a given item (such as helping employees function on the job) tended to correspond with their confidence in other items (such as helping enrollees improve health; see the sidebar for an explanation of the method). Or, to put it simply, averaged across all the items, some CFOs are generally more confident than others, as Figure 7 shows.

Figure 7: CFOs cover the spectrum of confidence in their health benefits strategy.

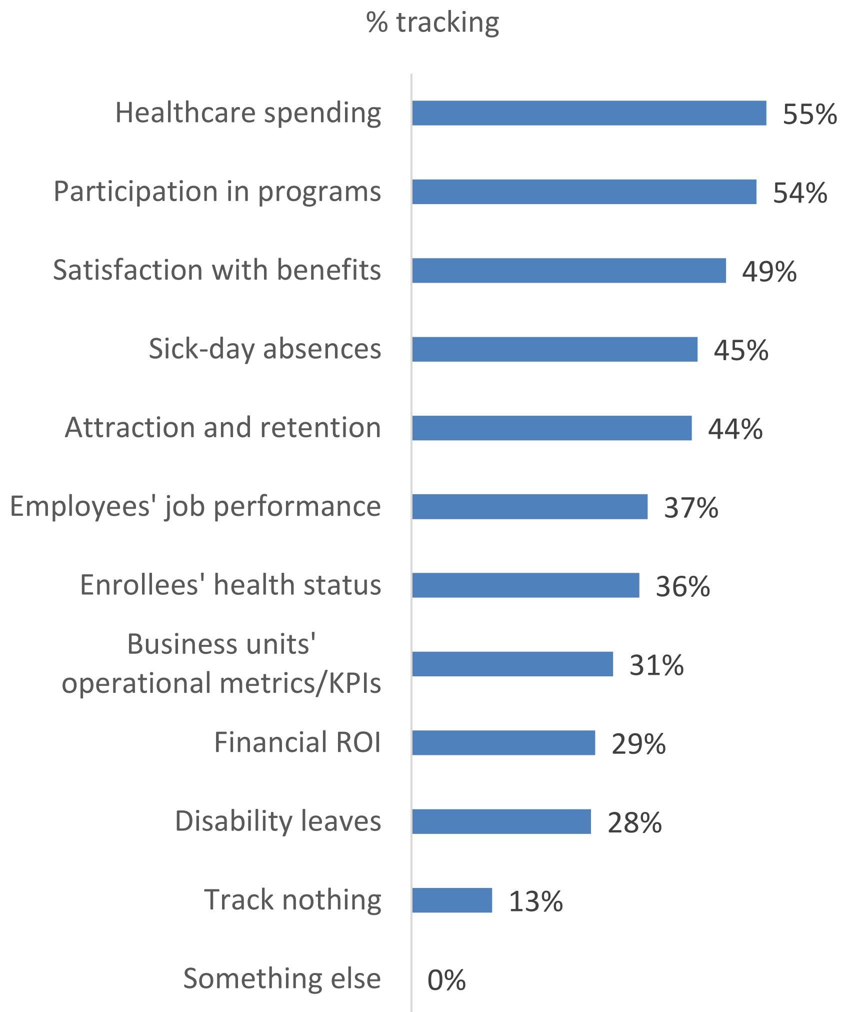


WHAT KINDS OF EVIDENCE INSPIRE CONFIDENCE THAT BENEFITS CONTRIBUTE TO BUSINESS SUCCESS?

Differences in CFOs' overall benefits confidence may provide better insights than their confidence in specific outcomes. For example, some companies may track the success of their benefits strategy better than others, and some CFOs may have more access to health and productivity information than others.

The rank order of these metrics from most-tracked to least-tracked may provide insights into companies' most important goals for their benefits strategy. lists different metrics that companies might use to track whether their health benefits strategy is meeting its goals. Nearly all CFOs reported that their company used at least one metric to track if its health benefits strategy was meeting company goals (only 13% did not track). No CFOs reported that they tracked some other metric that was not included in the survey.

Figure 8: Half of CFOs reported that their company tracked healthcare spending, participation in programs, and satisfaction with benefits. Less than one-third reported that their company tracked financial ROI.



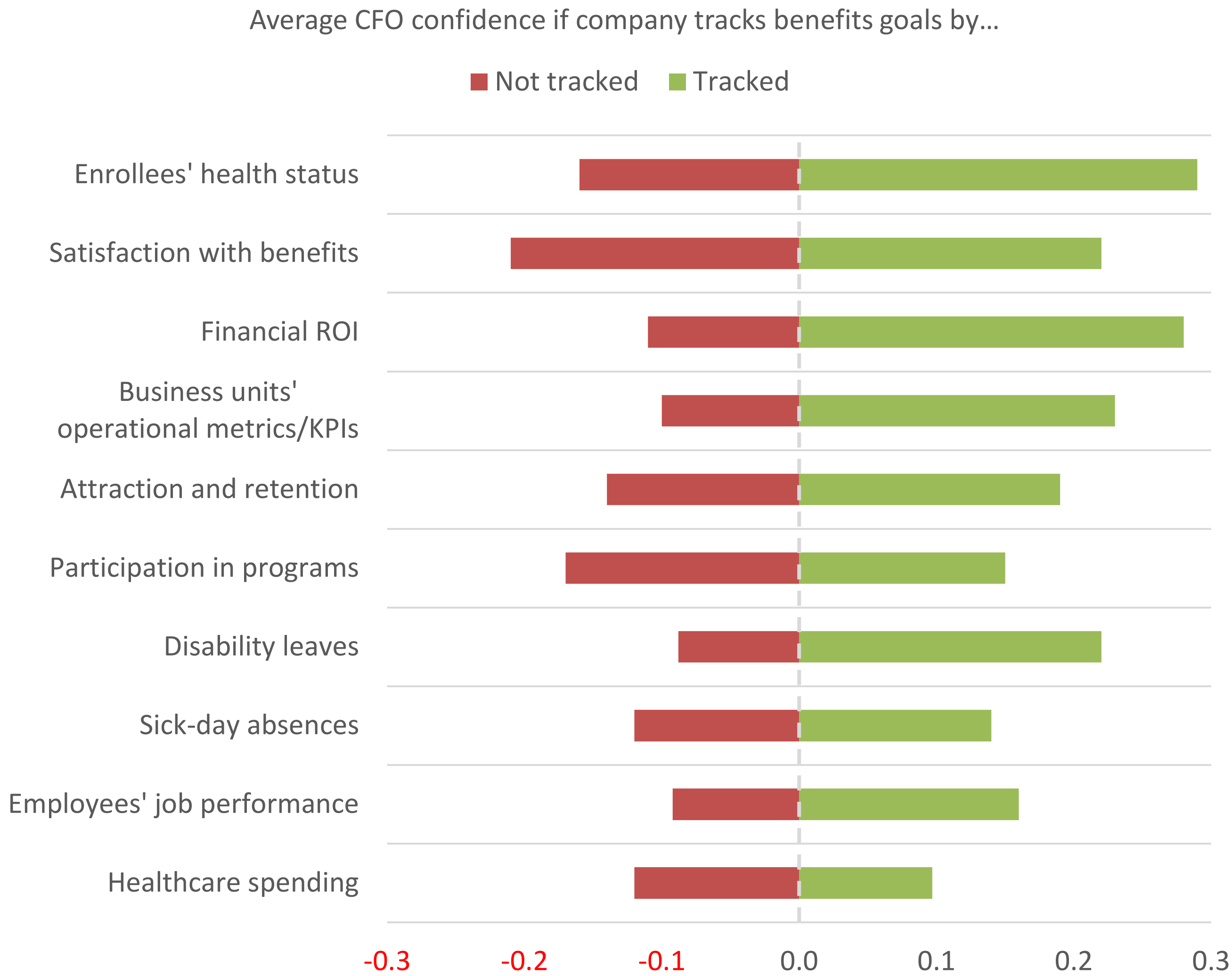
Question wording: "What metrics does your company track to assess whether its health benefits strategy is meeting its goals? (Please choose all that apply.)" Response options were as listed in Figure 8.

KPI = Key performance indicators. ROI = Return on investment.

The rank order of these metrics from most-tracked to least-tracked may provide insights into companies' most important goals for their benefits strategy. The most-tracked metrics (with about half of CFOs each) were healthcare spending, participation in programs, and satisfaction with benefits. Less than one-third reported that their company tracked the financial ROI of their health benefits strategy.

Figure 9 shows that CFOs at companies that use metrics to track benefits goals have higher confidence in the business value of health benefits than CFOs at companies that do not track. The difference across the CFO groups is statistically significant for each metric—but perhaps more importantly, the average among the "trackers" was positive for each metric, while the average for the "nontrackers" was negative for each metric. The largest confidence gap between trackers and nontrackers was seen in the metric "enrollees' health status" (0.48 points); "healthcare spending" produced the smallest gap (0.22 points). These results demonstrate a clear link between the use of evidence to manage health benefits and a broader perspective on whether benefits contribute to health and productivity outcomes.

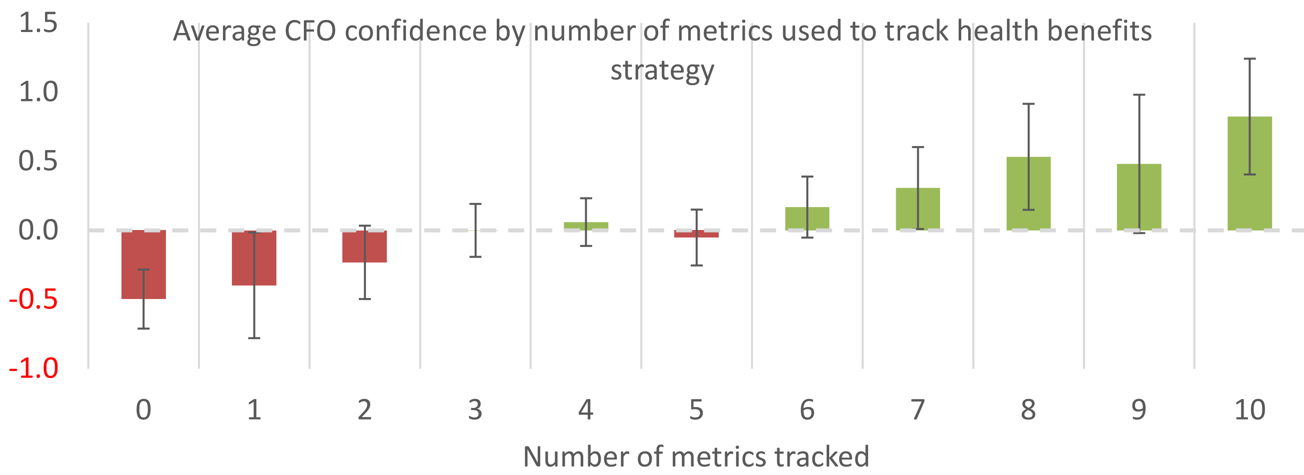
Figure 9: *Any* metrics tracking inspires confidence that benefits contribute to business performance.



Just as we found a correspondence between CFOs' confidence that their benefits contributed to different health and productivity outcomes, we found that companies tended to use more than one metric to track health benefits goals: CFOs' responses indicated that their companies tracked benefits goals with an average of four metrics. But even though tracking any metric inspires more confidence in benefits than not tracking, this does not mean that tracking more metrics is always better.

Figure 10 shows that benefits confidence was lowest among CFOs at companies that do not use any metrics to track health benefits goals. Although tracking three or more metrics inspires significantly more benefits confidence than tracking none at all, there are only incremental information advantages (i.e., additional confidence in benefits) to each additional metric and no significant advantage until eight or more metrics are tracked.

Figure 10: Tracking benefits using more metrics inspires more confidence but only incrementally.



Note: Error bars that overlap with the height of other bars provide a rough indicator of whether the bars are statistically different or whether the differences are due to chance within the sample of CFOs. The results shown are estimated outcomes from an ordinary least squares regression model that controlled for company size and revenues (see sidebar below).

The findings in Figure 10 reaffirm how careful selection of metrics that resonate with CFOs may provide the best opportunity to make an efficient business case for the value of a healthy workforce. Using results from a regression analysis that included all tracking metrics simultaneously, Figure 11 illustrates how a few metrics can independently inspire CFOs' confidence that their company's health benefits strategy contributes to health and productivity outcomes.

For example, the average CFO at a company that did not track its health benefits strategy had a confidence score of –0.41, significantly below the average value of zero (±0.26, which puts it well within the range of the nontrackers' –0.5 score shown in Figure 10). Tracking benefits enrollees' health status provides the largest significant increase in CFOs' confidence, adding 0.34 points. Confidence is additionally increased by tracking satisfaction with benefits, financial ROI, and business units' operational metrics/KPIs. The average (hypothetical) CFO whose company tracked its health benefits strategy using only the metrics shown in Figure 11 would have a benefits confidence score of 0.7—nearly the same score as shown in Figure 10 for companies that tracked all 10 metrics (0.8).

Don't Bigger Companies Have an Information Advantage?

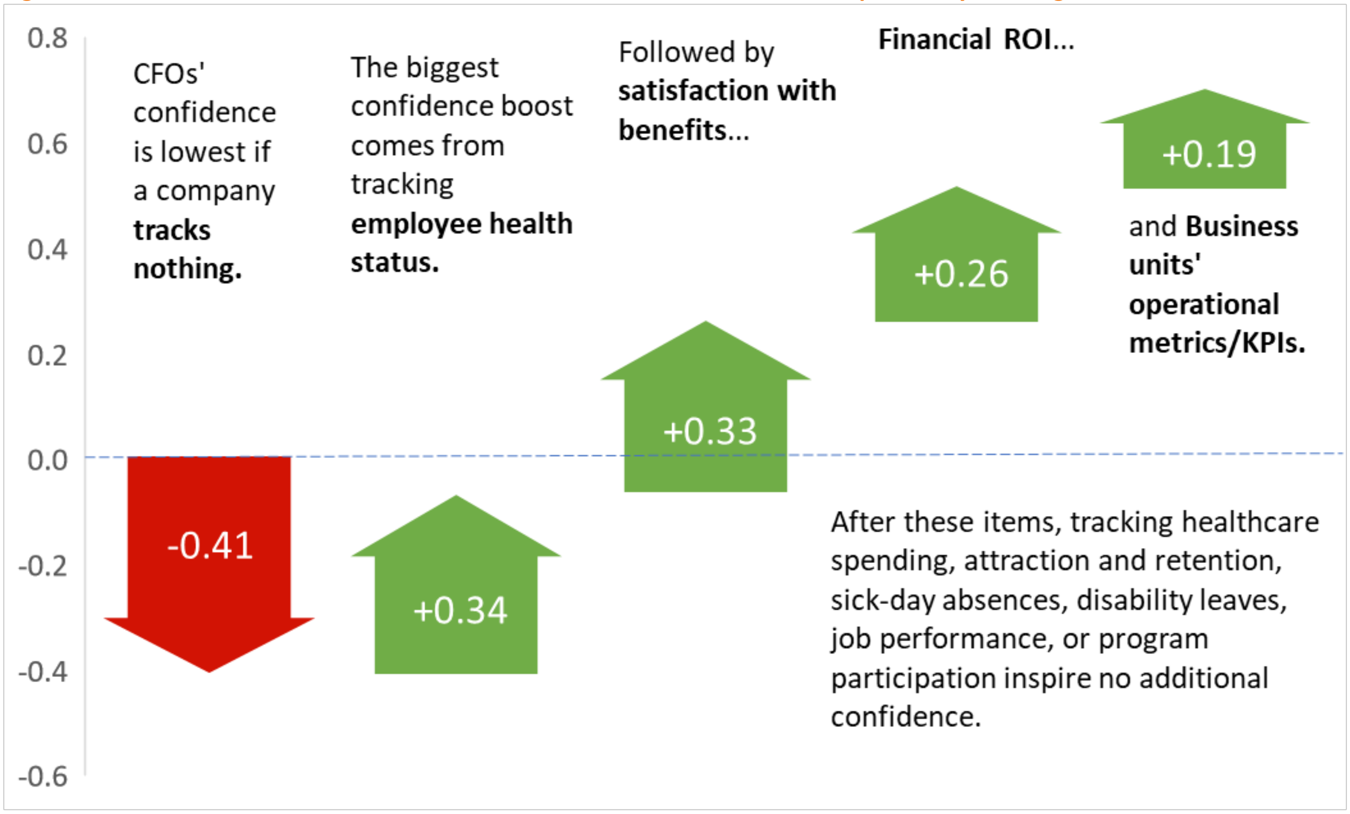
In principle, companies with more financial and personnel resources are in a better position to collect more data about the performance of their health benefits strategy.

That said, the survey responses showed no statistically significant differences in the number of tracked metrics when comparing CFOs from companies with different revenues or employee headcounts (see the Appendix for details about respondents' demographics).

If anything, the number of tracked metrics declined slightly at higher revenues, from an average of 4.5 metrics for companies in the $250M to below $1B range, to 3.8 metrics among companies above $10B.

This may also explain why we found no significant differences in CFOs' benefits confidence across companies with different revenues and employee headcounts. Information matters, and equal access to information has the effect of overcoming information advantages in our sample of CFOs.

Figure 11: CFOs' confidence in the business value of health benefits can be improved by tracking a few metrics.



Notes: The results shown are ordinary least squares regression coefficients from a stepwise model of CFOs' confidence scores. Metrics that were significantly associated with confidence at or below the 0.10 probability level were added to a final model. Other metrics that were not significant at or below the 0.10 level, as well as nonsignificant company characteristics such as revenues, employees, and ownership (e.g., for-profit public versus for-profit private), were excluded from the final model. Results were similar when executing a backward stepwise method (i.e., estimating a full model then re-estimating after removing items that were not significant at or below 0.10) and when estimating models that retained revenues, employees, and ownership regardless of their significance.

There are at least two important implications of the results shown in Figure 11.

First, companies should track metrics for their specific benefits goals—such as managing healthcare spending, strengthening employee attraction and retention, reducing sick-day absences and disability leaves, and improving job performance or program participation. But using a small set of metrics can still provide CFOs with a better sense of whether their health benefits strategy is contributing to the larger success of the business.

Second, the financial view of a health benefits strategy—in this case, ROI—remains an important part of the business case but not necessarily *the* most important part. This reinforces the view of CFOs as strategic partners who consider the big-picture value in their benefits decisions, even when that value is hard to express in monetary terms.

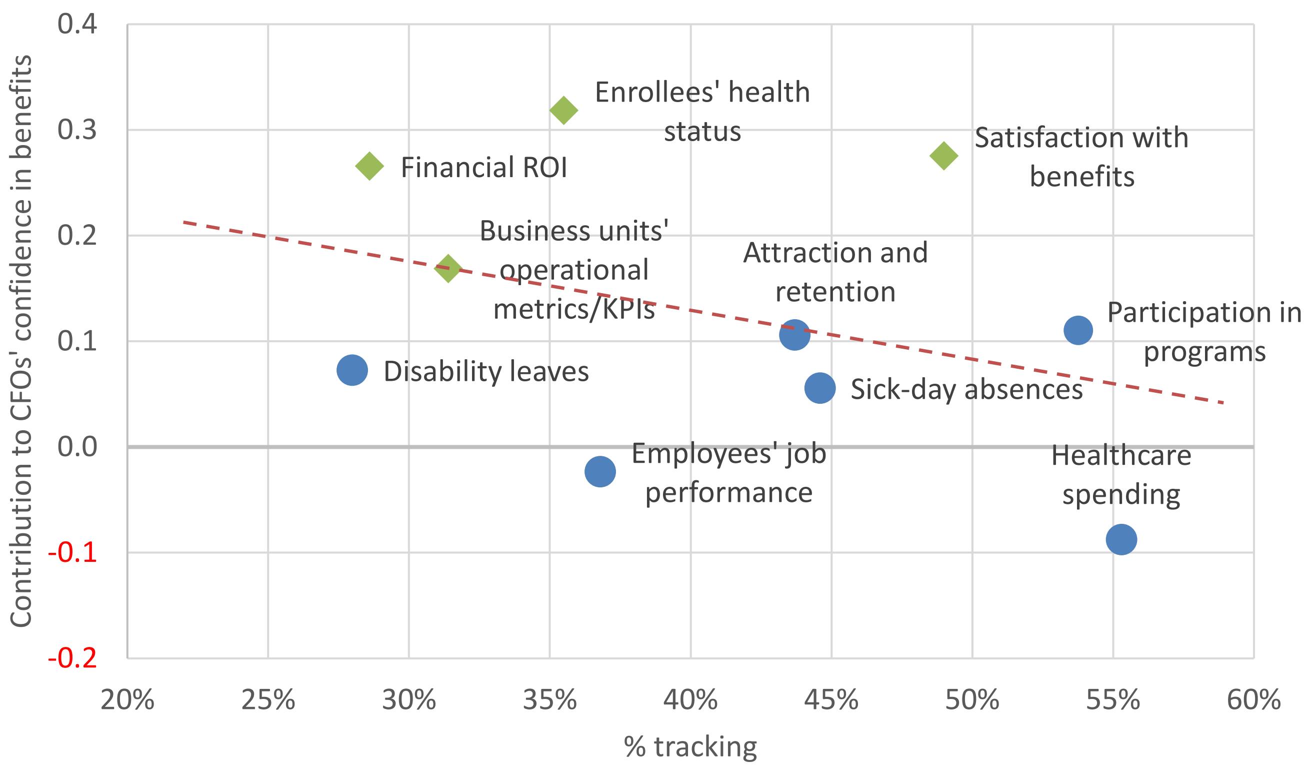
How many companies track the metrics that inspire confidence in the health benefits strategy?

To summarize the findings from the previous section, companies used a variety of metrics to track whether their health benefits strategy was meeting its goals. While tracking any metrics inspired CFOs with more confidence that benefits contributed to business success, four metrics had the biggest independent impacts on confidence:

1. Enrollees' health status
2. Satisfaction with benefits
3. Financial ROI
4. Business units' operational metrics/KPIs

Figure 12 shows that companies did not necessarily track the metrics with the greatest potential to inspire CFOs' confidence that their benefits strategy contributes to business success. In the best-case scenario, satisfaction with benefits was tracked by nearly half of CFOs' companies. About one-third of companies tracked financial ROI, business units' operational metrics/KPIs, or enrollees' health status.

Figure 12: Companies did not necessarily track the metrics with the greatest potential to inspire CFOs' confidence that their benefits strategy contributes to business success.



Notes: The results shown are from Figure 8 and from the initial regression models used to report the findings in Figure 11. Items marked with a diamond had a significant independent association with benefits confidence. The dashed trendline indicates the regression line that minimizes the sum of the squared errors between a metric's marginal contribution to confidence and the margin as predicted by the share of employers that track the metric. In this case, for every percentage point increase in the share of companies that track a metric, the average marginal contribution of that metric to CFOs' confidence in their benefits strategy declines by –0.0046 points.

The most-tracked metrics—such as healthcare spending, at 56% of CFOs—may provide insights into companies' most important health benefits goals. Although tracking these priorities is essential to benefits management, they do not differentiate CFOs with higher or lower confidence in the broader business value of their benefits strategy—and therefore may do little to obtain CFOs' sustained buy-in. In fact, as the share of companies that track a metric goes up, the average contribution to CFOs' confidence goes down (as the slope of the dashed trendline in Figure 12 indicates).

Several factors may help explain why the most-tracked metrics have little unique impact on CFOs' confidence that their benefits contribute to business success. Objectively measuring healthcare spending or program participation is relatively straightforward compared with ROI or KPIs—which may lead business leaders to view them in a tactical rather than a strategic light. Other factors, such as years of increases in healthcare spending,[13] persistent challenges with motivating program participation,[14] wariness of subjective measures of job performance and absenteeism,[15] and even recent (and highly publicized) skepticism about financial claims for the value of "wellness" programs[10,12,16] may also play a role. In addition, the challenge of integrating data across programs often can limit analyses that could shed light on how the different pieces fit together in service of the larger business strategy.

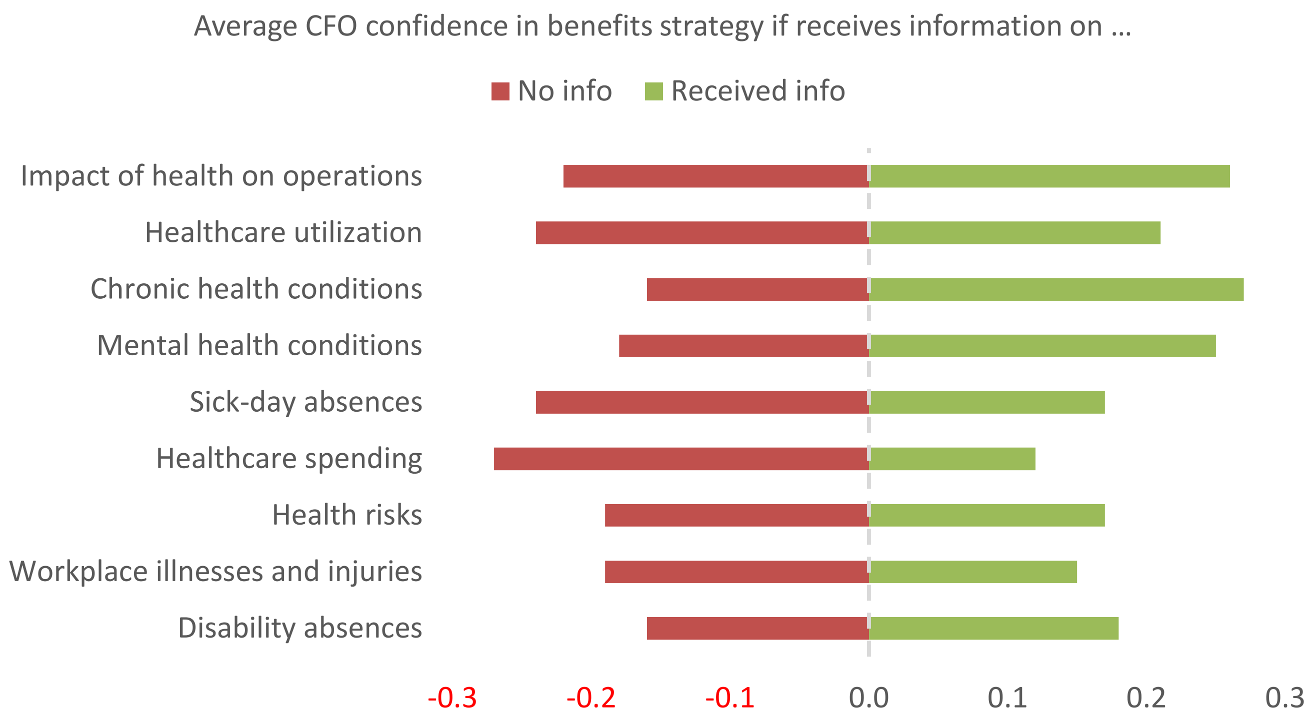
By contrast, the complexity of assessing health status in a population, determining the ROI for "nonfinancial" capital such as health, or linking health to KPIs may pose barriers to widespread tracking for the purposes of benefits management—though such efforts could help align the health benefits strategy with the larger business goals.

Can other evidence take the place of benefits tracking?

CFOs at companies that track the success of their health benefits strategy are better positioned than others to recognize how the productivity of healthy employees contributes to business success. Routine or even occasional health and productivity reporting—even if not directly used in benefits management—may also inspire CFOs with confidence in the business value of their benefits strategy.

As was true of benefits tracking, Figure 13 shows that CFOs who received health information about the health of their company's workforce in the 12 months prior to March 2020 had higher confidence in the business value of health benefits than CFOs who did not receive health information. The difference across the CFO groups is statistically significant for each information type. The average among CFOs who received each type of information is positive, whereas the average for those without the information is negative. The largest confidence gap is seen for information on the "impact of health on operations" (0.48 points); information on disability absences produces the smallest confidence gap (0.34 points).

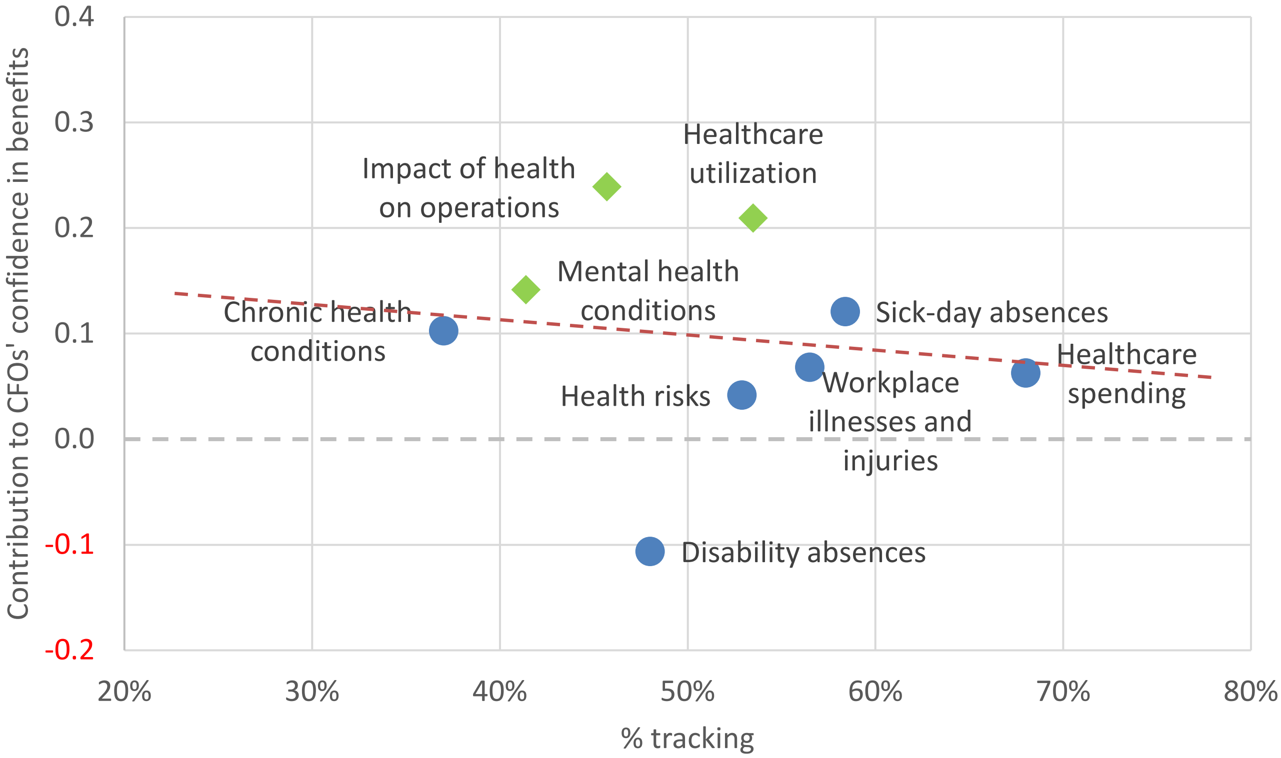
Figure 13: *Any* information about workforce health inspires confidence that benefits contribute to business performance.



Question wording: "In the 12 months prior to March 2020, did you receive information about…?" Response options: Your company's spending on healthcare benefits?; Use of different types of healthcare (e.g., emergency rooms, hospital stays, office visits) by your company's employees?; Chronic health conditions in your company?; Mental health conditions in your company?; Sick-day absences in your company?; Disability absences in your company?; Workplace injuries and illnesses that occurred in your company?; Health risks in your company (e.g., obesity, smoking, physical inactivity)?; How the health of your company's workforce impacts business operations?

Figure 14 shows that CFOs do not necessarily receive information with the greatest potential to inspire confidence that their benefits strategy contributes to business success. Three types of information made significant, independent contributions to benefits confidence: impact of health on operations, healthcare utilization, and mental health conditions. Yet fewer than half of CFOs reported that in the 12 months prior to March 2020 they received information about the impact of health on business operations or mental health conditions. Reporting on healthcare utilization was received by just over half of CFOs. By contrast, healthcare spending information was received by two-thirds of CFOs yet had no independent association with benefits confidence.

Figure 14: CFOs did not necessarily receive information with the greatest potential to inspire confidence that their benefits strategy contributes to business success.



Notes: Results from regression models specified use the approach described in the notes to Figure 11. Items marked with a diamond had a significant independent association with benefits confidence. The dashed trendline indicates the regression line that minimizes the sum of the squared errors between a metric's marginal contribution to confidence and the margin as predicted by the share of employers that track the metric. In this case, for every percentage point increase in the share of CFOs that receive a type of information, the average marginal contribution of that information to CFOs' confidence in their benefits strategy declines by -0.0015 points.

DISCUSSION AND EMPLOYER GUIDANCE

The findings of this study reaffirm that CFOs and other senior financial executives are important stakeholders in a health benefits strategy—not simply because they control the company's purse strings but because they make decisions about benefits, entirely or in partnership with other business functions. Far from being singularly driven by bottom-line considerations, CFOs recognize how employees' illnesses impact their company's business operations. Armed with information about the performance of their benefits and the health of their workforce, they express confidence that their health benefits contribute to business success by improving employees' health and productivity. While financial indicators inspire confidence in their company's health benefits strategy, metrics and measures of healthcare spending, costs of absences, and ROI by no means dominate CFOs' thinking. Operational metrics, KPIs, and indicators of physical and mental well-being also influence senior financial executives' buy-in to investments in workforce health.

A few simple takeaways for benefits professionals tasked with developing, implementing, and demonstrating the business value of health benefits to senior leadership emerge from these findings. For additional insights, IBI sought input from experts at leading healthcare, benefits, and absence management firms. Their guidance is included in the discussion below.

IBI THANKS THE FOLLOWING INDIVIDUALS AND FIRMS FOR PROVIDING INPUT FOR EMPLOYER GUIDANCE.

The views expressed are those of the commentators alone. They do not necessarily reflect those of their employers and clients nor of IBI, its members, or its Board of Directors.

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MEASURE EVERYTHING NECESSARY TO MANAGE HEALTH BENEFITS—BUT BUILD YOUR BUSINESS CASE ON THE MEASURES THAT MATTER TO SENIOR LEADERS

While business processes produce more data than ever, gathering, organizing, and analyzing those data to produce actionable, evidence-based information still impose considerable time and resource costs. It is true (as any good business case will emphasize) that information costs are falling relative to their potential value—but as CFOs in this survey remind us, providing the right kinds of information has advantages over mass quantities of statistics. Companies with a good sense of their own data and that can use their data warehouse to respond to leaders' specific inquiries about conditions and programs will have a business advantage. The good news is that companies without the capacity to track all of their health benefits goals, or that have affordable access only to routine, aggregate health benefits reporting, can still develop a good sense of whether their benefits are producing business value.

Comparisons to industry peers—using independent benchmarks, evidence in the research literature, and data from partner and supplier organizations—can also provide senior leaders with "real world" examples of the value of an effective benefits strategy.

Assume that your CFO takes a strategic view of health benefits…

Nonfinancial information—emphasizing employee health as an investment rather than cost containment strategy—deserves a high priority when demonstrating to CFOs the business value of benefits. One way to read the findings of this study is that CFOs assess the health benefits strategy not only by its financial value but also by the value to employees in terms of their health (including their mental health), access to care, and satisfaction and the value to operating units in terms of their own KPIs. CFOs may expect a long-term balance sheet impact from their benefits strategy—but providing evidence that allows CFOs to fill in the bigger picture is precisely the point of focusing a business case on near-term, nonfinancial outcomes.

…Without assuming that you know what kind of information your CFO values

The findings of this study can provide benefits professionals with a starting point for helping CFOs see the strategic value of health benefits. It is one thing to recognize how both financial and nonfinancial evidence can create an effective business case; it is another thing entirely to engage in conversations with individual CFOs, who very likely see their strategy in terms specific to their own business model. Even within the same industry, some companies will see their success reflect in different metrics. Once company may focus on safety incidents, another on employee or customer satisfaction metrics (such as net promoter score), while another looks closely at outcomes across business units.

The Essentials of Linking Health to Senior Leaders' Business Priorities

Demonstrating to corporate leaders that health is an essential component to high-performing human capital begins by examining three key questions:

1. What are leaders trying to accomplish?
2. How do people help accomplish these goals?
3. How might illness get in the way?

Answering these question sets for the stage for a clear, logical, and compelling case for the competitive advantage of a healthy workforce. Here are practical steps that benefits and HR professionals can take to incorporate workforce health into their company's strategic plan:

- Identifying their company's corporate strategy
- Mapping the strategy
- Compiling available health and business outcomes metrics and preparing to fill gaps with new data
- Testing the framework by comparing within and between business units, and same units over time
- Refining the framework as necessary
- Initiating action based on findings

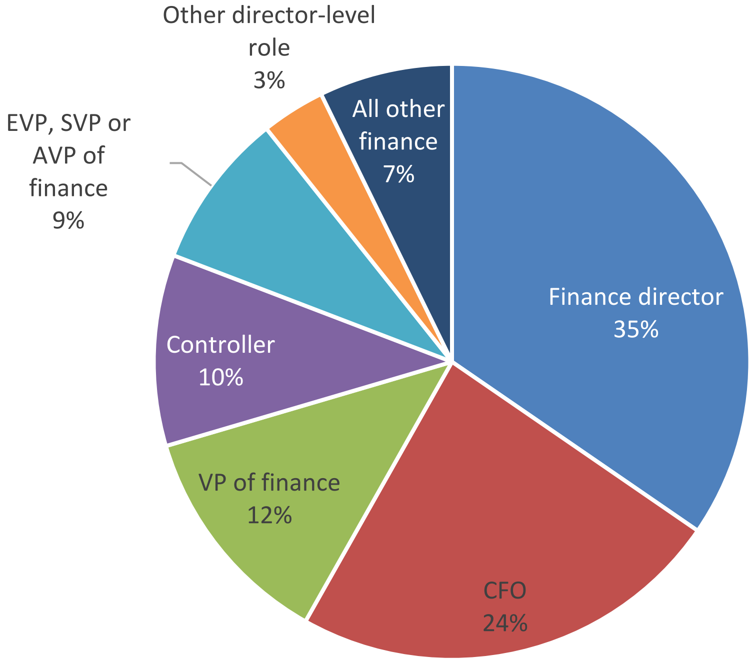
For a step-by-step description of the approach, see IBI's 2015 report *Linking Workforce Health to Business Performance Metrics: Strategies, Challenges and Opportunities.*[2]

Benefits professionals can ensure that their efforts align with senior leaders' priorities by working with them to identify how health and productivity fit into the company's existing strategic plan. IBI has described a step-by-step approach to this process elsewhere.[2,17] Essentially, it boils down to addressing a few key questions about how health enables people to contribute to a corporate strategy and linking carefully selected health metrics to the KPIs that top leaders already use to manage their entire business (see the sidebar). By positioning health as an important component of high-performing human capital, benefits professionals can provide the foundation for a durable, evidence-based business rationale for strategic investments in a healthy workforce.

For all their strategic value, it is important to keep health at the core of health benefits. The task of the benefits professional is to balance the company's business imperatives with programs and policies that meet employees' health needs and reflect their values and preferences. Striking a balance successfully will require engaging employees as stakeholders in the benefits strategy and assessing what works well for them, and where gaps in the quality, affordability, and access to care impact their health and productivity. This may be especially important during the COVID-19 pandemic or other crisis conditions (such as natural disasters). As we learned in IBI's prior report[1], incorporating health benefits into business recovery plans not only helps employees avoid care disruptions during emergencies, it can also minimize disruptions to business operations.

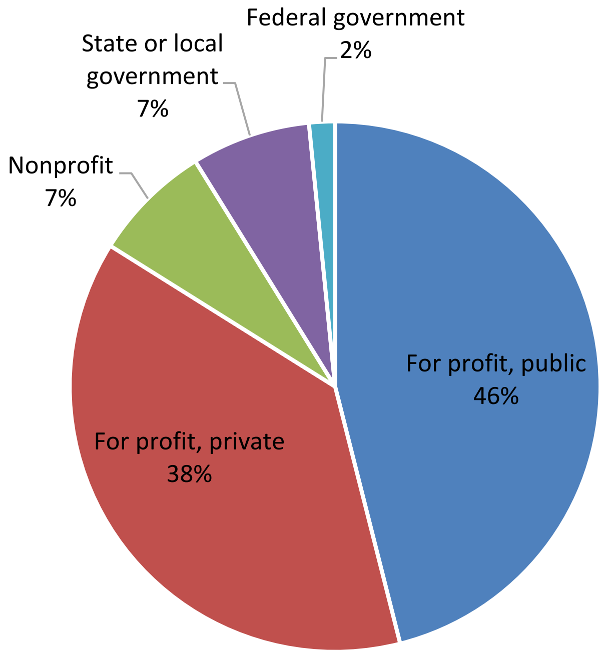
APPENDIX

Figure 15: Job title.



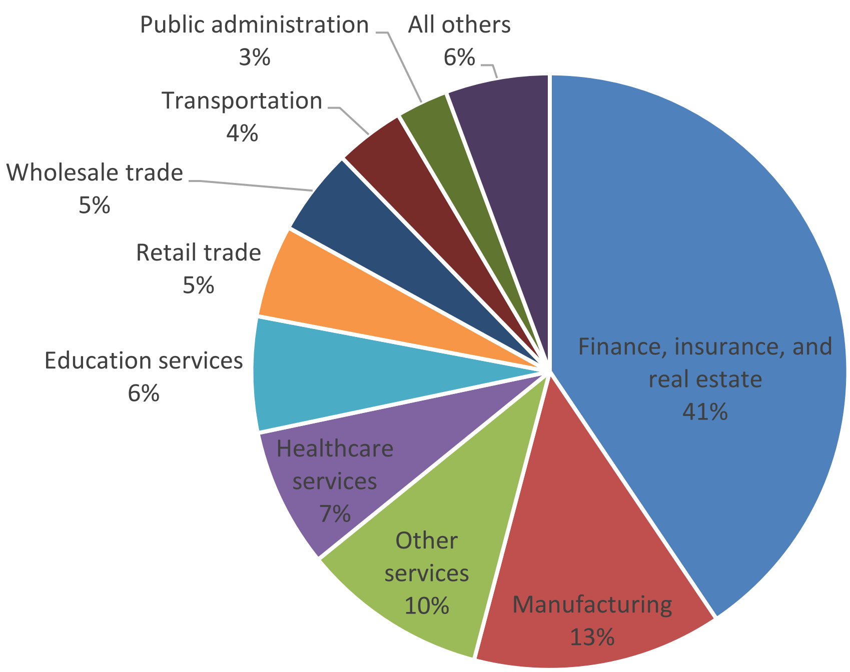
Question wording: "What job title fits you best? (Please choose one.)" *Note:* Respondents who selected an option indicating that they did not work as part of the finance function (i.e., respondents who provided "other" for their job title as distinct from specifying "other finance title") were disqualified from the survey.

Figure 16: Ownership.



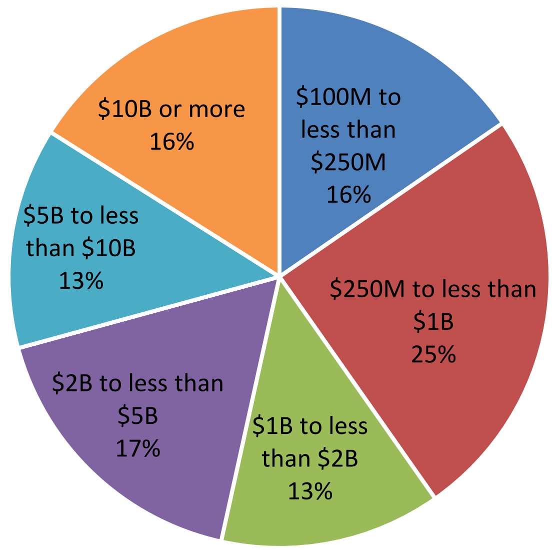
Question wording: "Which best describes the ownership status of your company? (Please choose one.)"

Figure 17: Industry.



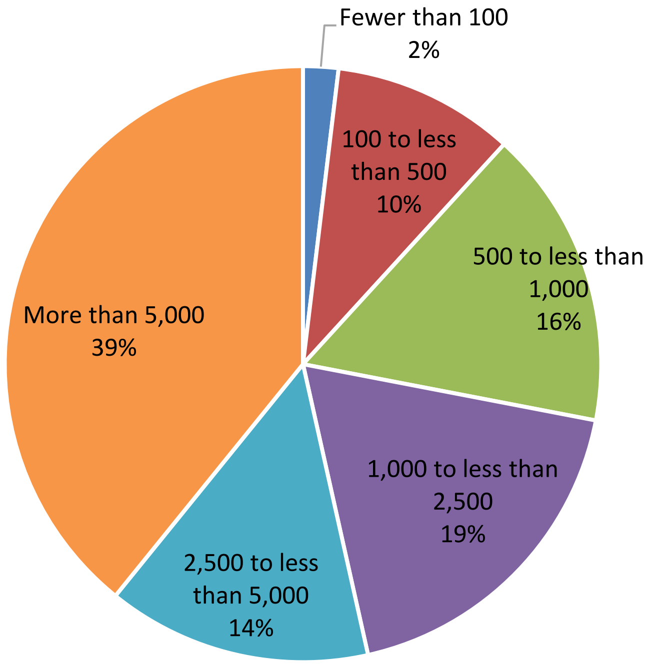
Question wording: "What is your company's primary business? (Please choose one.)"

Figure 18: Annual revenues.



Question wording: "What were your company's revenues in its most recent fiscal year? (Please choose one.)" *Note:* Respondents who selected an option indicating revenues less than $100M were disqualified from the survey.

Figure 19: Employees.



Question wording: "How many permanent employees does your company have? (Please choose one.)"

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