Linking Health & Well-Being to Stock Performance, Expanding the Value Proposition for Employee Health and Well-Being

Source: Jessica Grossmeier, Vice President of Research, HERO, 2016

The concept that good health is good business has been validated over the years by research linking health risk factors to higher employee health care costs, reduced on-the-job productivity and higher absenteeism. More recently, research has expanded its focus to overall well-being, with some studies showing a correlation between low employee well-being, higher turnover, lower employee engagement and lower employee performance. Now, the latest emerging body of research shows there may be yet another reason to invest in a healthy workforce: improved stock performance.

Earlier this year, three separate but related studies were published that demonstrate a correlation between a company's approach to employee health and well-being and their corporate stock performance. One of those studies was conducted by the Health Enhancement Research Organization.

The HERO study revealed a distinct correlation between comprehensive, best practice wellness programs and corporate stock performance. More specifically, the study showed companies that scored highly on the HERO Health and Well-Being Best Practices Scorecard in Collaboration with Mercer® (HERO Scorecard) -- which signals an investment in wellness best practices -- outperformed the Standard & Poor's (S&P) 500 Index over the course of six years.

The study, "Linking Workplace Health Promotion Best Practices and Organizational Financial Performance," was published in the January issue of the Journal of Occupational and Environmental Medicine and tracked the stock performance of a portfolio of 45 publicly traded companies from 2009 through 2014 that earned top scores on the HERO Scorecard. The performance of these companies was compared to that of the Standard and Poor's 500 Index (S&P 500) over the six-year study period.

Findings at a Glance

Findings indicate that companies who share the common practice of investing in workplace health and well-being represent superior investments in the marketplace. More specifically, researchers found that this simulated portfolio of companies outperformed the S&P 500 in the following areas:

- Appreciated 235 percent compared to 159 percent for the S&P 500,
- Outperformed the S&P 500 in 16 out of 24 (67 percent) quarters during the study period, and
- Produced a comparable dividend yield of 1.97 percent by the end of the study period, compared to a 1.95 percent yield for the S&P 500.

Companies in the study ranged in size from 762 to 272,890 employees and came from a diversified collection of industry categories including: consumer discretionary, consumer staples, energy, financial services, health care, industrial, information technology and utilities. The average age of employees within these companies was 42.8 years, and 56 percent were male.

A Growing Body of Work

The two related studies were also published in the January issue of JOEM. These studies were drawn from different populations of employers and used differing methodologies and timeframes, but the outcomes were similar: companies recognized for their significant investment in workplace health and well-being realized higher performing investments.

These studies were conducted by the American College of Occupational and Environmental Medicine -- with sponsorship from the Underwriters Laboratories Integrated Health and Safety Institute -- and by The Health Project. The research methodologies for the three studies were developed by Ray Fabius, M.D., co-founder of HealthNEXT. Fabius is also a co-author on all three papers.

The ACOEM study followed the stock performance of as many as 16 companies that had applied for the Corporate Health Achievement Award over a 13-year period and achieved high scores in the areas of health and /or safety. The simulated investment returns for these companies were significantly higher than average S&P 500 returns – as much as triple in some of the scenarios. In the best-performing scenario, the study group achieved a 333 percent return, compared to an S&P 500 return of 105 percent during the same period. In the lowest-performing scenario of 11 companies, the study group achieved a 204 percent return, compared to an S&P 500 return of 105 percent during the same period.

The Health Project studied 26 companies that had won the C. Everett Koop Award from 1999 through 2014. These companies distinguished themselves by excelling in workplace wellness programming and promoting population health among their employees and covered lives. The study found these companies doubled the return of the S&P index yielding a 325 percent return compared against the 105 percent return from the S&P 500, while returning higher dividends: 2.31 percent compared to 1.95 percent for S&P 500 companies. The price-to-earnings ratio for the award winning companies was lower (17.13) than the overall S&P 500 (18.27), which means the performance of the study group was not based on an overvaluing of the companies.

What Does This Research Mean for Employers?

The combination of these studies reinforces a broader value proposition that links workplace health and well-being to favorable business performance. Better employee health is clearly linked to higher levels of employee productivity and performance, and emerging evidence shows healthier employees are also more engaged in their work and have lower turnover. For health and benefits professionals who want to make the business case for wellness to corporate leaders, this research is one more indication that effectively run companies do, indeed, invest in workplace health and well-being.

This body of work suggests the need for additional research to better determine the connection between workforce well-being and organizational performance. At this point in time and based on the existing knowledge, we can say there is a strong correlation between a company's investment in workplace health and well-being and its stock performance. There are many factors that were not analyzed in these studies that could influence stock performance, and it may be the case that investment in health and well-being is a proxy for companies that engage in other best practices to achieve their competitive advantage.

What these outcomes do tell us, is that if you are looking to run an effective health and well-being program for your employees and want to see positive financial results, you can emulate the desired results by offering best-practice wellness programs, like the companies in these studies. Each of the studies points to tools that can help organizations identify the elements of best practice programs. The HERO Scorecard provides the most detailed inventory of specific practices while the C. Everett Koop Award publishes information about award-winning programs on The Health Project website. And ACOEM provides information on its CHAA criteria on its website.

Employer Guidance on a Best Practice Approach

The HERO Scorecard is a free, online inventory of evidence-based health and well-being practices. It allows companies of all sizes and from any industry to complete a self-assessment of their health and well-being initiatives including programs, policies, and other organizational support. Upon completion, companies receive an individual score and a comparison of their program based on industry, company size and geography, which is useful for benchmarking and strategic planning.

Companies that score high on the HERO Scorecard report adhering to common best practices, including: strong strategic planning, senior leadership engagement and cultural support for health, a rich and comprehensive set of programs that meet a diverse spectrum of health needs, a comprehensive array of communication and participant engagement strategies, and robust program evaluation and performance reporting. Since its inception, more than 1,700 companies have completed the HERO Scorecard.

Jessica Grossmeier, Ph.D., is vice president of research for the Health Enhancement Research Organization and lead author on the HERO Scorecard stock performance study. She can be reached at jessica.grossmeier@hero-health.org. Raymond Fabius MD, is co-founder of HealthNEXT and can be reached at ray.fabius@healthnext.com for questions specific to the ACOEM study or data analysis associated with the three studies. Ron Goetzel, PhD, is lead author of the Health Project study and can be reached at ron.goetzel@truvenhealth.com.