

Global
Business and
Economic Roundtable
on **Addiction** and
Mental Health

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CFO Framework for Mental Health and Productivity

An Executive Initiative of the Global Business and Economic
Roundtable on Addiction and Mental Health

With reference to the Roundtable Business and Economic Plan for Mental
Health and Productivity

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INTRODUCTION

The economic burden of mental illness in Canada exceeds \$33 billion a year, according to analysis conducted in 2002 for the Roundtable by the Centre for Addiction and Mental Health. Costs are much higher, if addiction is added to the picture. Yet still, corporate Canada continues to under invest in mental health. **The single most important issue is the lack of adequate measurement of the costs of mental illness by individual companies.**

The CFO Framework for Mental Health and Productivity Initiative was launched to build a microeconomic, CFO-proofed business case for mental health. Our mandate is to build a framework for investing in mental health and measuring that investment.

Chief executives believe their leadership is essential to addressing mental health in the workplace, according to the Roundtable's own survey. The CFO Framework is based on the premise that without CFO buy-in, the chances of CEO leadership in this area are limited.

By preparing and releasing this report, the Roundtable Task Force is asking businesses specifically to:

- **Participate in a program that will measure costs and benefits within an organization as well as benchmark progress across industry**
- **Implement the CFO Framework for Mental Health and Productivity**
- **Improve awareness of mental health issues and reduce stigma**

We recommend all employers consult the CEO leadership and general management guidelines set out in the Roundtable's Business and Economic Plan for Mental Health and Productivity.

THE FACTS

- 7.5 million Canadians suffer from depression, anxiety, substance abuse or other mental disorder each year
- 43% of respondents to a 2006 Mercer/Marsh reported the frequency and cost of depression/anxiety/related claims among their employees is increasing
- Over 10% of general drug plan costs are for mental illness drugs and over 21% of all drug claims are to treat mental illness
- When medical conditions co-occur with mental illness, specifically depression, total pharmacy costs related to mental illness increase by a factor of three
- The number of mental illness-related pharmacy claims increased 5.4% from 2004 to 2005, as compared to a total pharmacy claims increase of 3.8%

COSTS OF MENTAL ILLNESS IN THE WORKPLACE

While the costs associated with untreated or under treated mental illness in the workplace is not appropriately quantified by employers, mental illness can be directly and indirectly linked to financial measures and other corporate costs, including:

- **Decreased revenues**—Caused by lost productivity, absenteeism, presenteeism
- **Increased expenses**—Caused by higher benefits costs, temporary labour, and greater need for recruitment and training
- **Long-term impact on customer/supplier/co-worker relationships**—Interpersonal problems due to mental illness, including poor working relationships, withdrawal, communication conflicts, will impact employee interaction with customers, suppliers and co-workers and is a long-term determinant of the enterprise value of a business
- **Unfunded liabilities**—Corporations that do not track or manage mental health issues in their workplace may have unfunded or under funded liabilities, a sensitive exposure for publicly-traded companies
- **Reporting risk**—Risks associated with inadequately mental health programs and the impact of poor mental health on customer/supplier/co-worker relationships may be material and require disclosure in annual reports

BENEFITS OF MENTAL HEALTH PROGRAMS

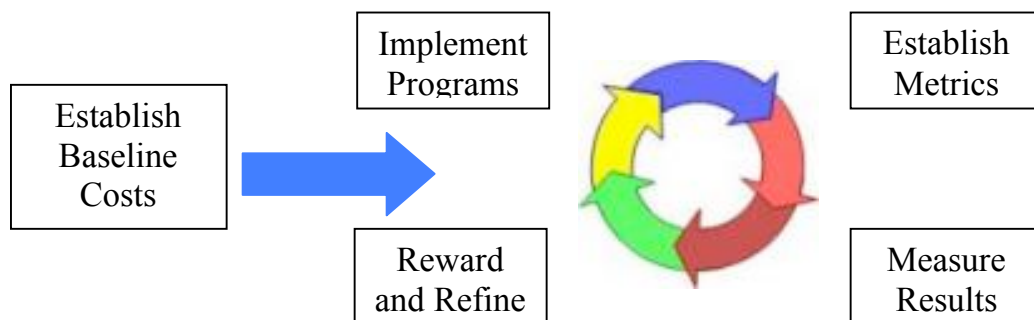
- **Commercial benefits**—Due to improved workplace relations and improved employees' customer/supplier orientation
- **Strategic Benefits**—Due to improved employee resiliency and motivation; increased productivity and efficiency; reduced absenteeism; better recruitment and retention; and enhanced knowledge base
- **Financial Gains**—improved profit potential and reduction of expenses
- **Increased productivity and competitiveness**—for all of Canada

CFO PERSPECTIVE ON MENTAL HEALTH ISSUES

In today's environment, a CFO is responsible for profitability, reporting, risk and internal controls, performance management and resource allocation. Finance is no longer just transactional reporting. As a result, finance executives bring a discipline to data collection and analysis and are able to measure progress toward achieving strategic and business plans, including the impact on ROI.

To reduce the rate of mental disabilities and their associated costs requires proper measurement of programs aimed at promoting mental health. To this end, the Roundtable has developed the **CFO Framework for Mental Health and Productivity**. The Framework is laid out in the next pages, followed by a case study.

CFO FRAMEWORK FOR MENTAL HEALTH & PRODUCTIVITY



The framework—while simple in design—embraces a range of complexity that cannot be downplayed for the sake of recruiting adherents. Powerful evidence of both a scientific and experiential nature supports the view that the cost of doing nothing about key trends of mental illness in the labour force is both significant in its own right and likely more expensive over time than implementing a constructive, thought-out program to address the problems. For deployment of this framework by public and private sector employers, the Task Force recommends the following five steps:

STEP ONE: ESTABLISH BASELINE COSTS OF MENTAL HEALTH

Establish a baseline of the company's actual experience or occurrence rates of the metrics associated with mental health. The more data collected, preferably drawn over the past three years, the better the benchmarking ability. Measure the following metrics:

- Extended/Group Health Care Costs
 - Drug claims by major drug category
 - per covered active employee
 - Mental illness-related drug claims as a percentage of total drug claims
 - per covered active employee
 - Number of mental illness-related drug claims + those where a second drug is also being claimed for another ailment (co-morbidity)
- Employee Assistance Costs
 - Number of employees using the program for mental illness-related disorders
 - Utilization as a percentage of total program users
 - Number of cases referred to community-based treatment programs
 - Number of high risk mental illness cases

STEP ONE, con't:

- Absenteeism Costs
 - Lost workdays (paid and unpaid) per active employee
 - Lost workdays (paid and unpaid) for mental illness-related disorders
 - As a percentage of total lost workdays per active employee
 - Absenteeism rates by type of ailment/disorder
 - Average duration of absenteeism
- Replacement Worker Costs
 - Total cost of replacement workers
 - As a percentage of total active payroll costs
 - Number of replacement workers (fulltime equivalent) used per reporting period
 - Employee turnover rates relating to mental health disorders
- Short and Long Term Disability Costs
 - Number of short term disability claims related to mental health disorders
 - As a percentage of total short term disability claims
 - Number of long term disability claims related to mental health disorders
 - As a percentage of total long term disability claims
 - Average duration of short/long term disability claims relating to mental disorders
 - Cost per claim of short and long term mental health related disorders
- Presenteeism Costs
 - Actual output per worker as a percentage of targeted output per worker
 - Quality of output (e.g., defect rates, customer feedback, etc.)
 - Actual vs. targeted worker output percentage times the total active payroll cost
- Other Useful Financial Metrics
 - Health-related costs as a percentage of payroll
 - Productive capacity measures

STEP TWO: EVALUATE, CONSTRUCT AND STRENGTHEN PROGRAMS

- Evaluate Programs for:
 - Employee access to:
 - Mental health information
 - Adequately trained clinicians
 - Workplace screening for depression
 - Benefits related to mental health:
 - Integration of mental health programs with other programs, including EAP, disease management, and disability provider
 - Benefits consultant:
 - Determine if up to date on latest mental health data
 - Determine how consultant evaluates the mental health services of various vendors

STEP TWO, con't:

- Construct Your Program
 - Conduct an employee awareness program about depression, anxiety, and substance abuse
 - Educate managers about mental illnesses
 - Offer mental health screening
- Strengthen Your Program
 - Integrate all healthcare services
 - Collaborate with other employers and stakeholders; adopt a proactive approach
 - Retain employee assistance program (EAP), if your company does not have one

STEP THREE: ESTABLISH ACCOUNTABILITY

- Include specific mental health-related goals/objectives in the annual strategic planning and budget process for each department
 - Address awareness and recognition of mental health issues and the reduction of stigma. Internal objectives could include some or all of the following:
 - Reduce short term disability duration with a focus on co-morbid depression and physical illness
 - Reduce mental disability rates as a percentage of total disability experience inside 24 months
 - Reduce by 20% the ratio of mental illness as a percentage of all disability inside five years
 - Forge a long term disability prevention strategy to reduce the use/need for LTD
 - Using surveys, evaluate qualitative measures of productive capacity. Included are:
 - Employee engagement and performance outcomes
 - Customer satisfaction and improved relationships

STEP FOUR: SET PERFORMANCE INITIATIVES AND REWARD APPROPRIATELY

- Establish positive, not punitive, incentives
 - For employees to actively address workplace issues that contribute to stress and mental health issues
 - Achievement of metrics must depend on participation by all departments so success of the improved metrics benefits the entire organization
 - Include metrics in the determination of salary reviews and bonus calculations

STEP FIVE: BENCHMARK AND REPORT TO THE BOARD

- Benchmark annual costs and benefits of initiatives addressing mental health issues
 - Compare against the baseline costs and benefits
 - Compare, where possible, against external benchmarks
- Report results to the board

APPENDIX I—CASE STUDY: JP Morgan Chase

The benefits of an aggressive measurement and treatment program for mental illness, in this case depression, are evidenced by one outstanding case study. JP Morgan Chase benchmarked depression in the workplace, introduced strategies to address work place mental health and saw impressive results:

Benchmarks discovered:

- Of the 60% of employees covered by the company's pharmacy plan, antidepressants currently rank third in spending (behind antihypertensive and antihyperlipidemic medications)
- 24% of participants in the corporate health risk assessment program had scores indicating the need for mental health follow-up
- Since 1995, 6% compound annual growth rate in psychiatric disability (v. 1% per year growth in medical-surgical disability)
- Mental health cases comprise 10 – 12% of all disability cases if only primary diagnoses are considered

Strategies implemented:

- Established a dialogue with all treating professionals in the corporate medical plan
- When a psychiatrist is not available, primary care physicians work in concert with a mental health provider
- EAP plays an integrated role in disability management by facilitating return-to-work interventions with employees and management
 - helps separate true disability issues from workplace issues
- Established program allowing returning-to-work employees to work part-time
- Introduced training for managers
 - to recognize depression and anxiety disorders
 - how to refer employee to EAP
- Increased compliance of anti-depressant medication

Results:

- Reduced recidivism rate to 9% in 2003 from 17% in 1989
- Short term disability reduced by 1 full week for employees in part-time work program
- Target savings of \$1M for future improved adherence to antidepressants

APPENDIX II—REFERENCES

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