

Impact of Preventive Health Care on Indian Industry and Economy

FINDINGS AND POLICY RECOMMENDATIONS

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Foreword

In India, the health care system is experiencing dramatic changes from what it was a few decades ago. Preventive, as opposed to curative, health care has become the preferred option in most developed countries as it allows employees to be more productive. However, preventive health care in India is still at an early stage. Sedentary lifestyle has led to heart diseases and high levels of stress. Preventive health care involves measures to identify and minimize the risk of diseases, and alter the course of existing ones for a healthy and productive life.

This study, being the first of its kind in India, makes an important contribution to preventive healthcare practise in the corporate sector by examining the linkage between corporate preventive health care programmes and profitability. In order to assess the impact of preventive health care on the Indian Industry, a survey of some of the best-performing companies and a sample of employees from the manufacturing and service sector was undertaken. Finally, based on the findings from our surveys, certain policy recommendations have been made to promote preventive healthcare practise in India's corporate sector and ensure productivity and competitiveness of the Indian Industry.



Rajiv Kumar

Director and Chief Executive

September 12, 2007

Key Facts & Findings

- Per capita government health expenditure in India is one of the lowest in the world – US\$7, as against US\$2,548 in the United States.
- The estimated loss in India's national income as a result of heart diseases, stroke and diabetes in 2005 was US\$9 billion, and this is projected to exceed US\$200 billion over the next 10 years.
- Almost a quarter of respondent firms lose approximately 14 per cent of their annual working days due to sickness.
- In a highly competitive corporate environment, companies cannot afford the absence of their employees due to sickness, etc., or a poor performance at the workplace due to poor health.
- Preventive health care is the most cost-effective strategy not only for a country with scarce financial resources, but also for resource-rich companies whose rising health spending is affecting their business results and competitiveness.
- More than 80 per cent of American companies with 50 or more employees have some form of preventive health care programmes for their employees.
- Two-thirds of respondent firms in India have preventive health care as part of their corporate governance strategy. However, only less than one-third make provision for the whole range of preventive health care measures for their employees.
- Well-designed employee wellness programmes create 25 per cent reduction in health-plan costs, sick leave, disability pay and workers' compensation.
- Reducing just one health risk increases an employee's on-the-job productivity by 9 per cent and cuts absenteeism by 2 per cent.
- 82 per cent of respondent firms agree that preventive health care measures increase a firm's productivity and profitability.
- 98 per cent of respondent employees who have undergone preventive health check-ups felt that these were beneficial in terms of a better quality of life and performance at work. Even those who did not undergo such check-ups felt that such benefits accrue.
- 91 per cent of respondent employees want employers to offer preventive health care vouchers to them.

Introduction*

According to the World Health Organization (WHO), “health is a state of complete physical, mental and social well-being, and not merely the absence of disease or infirmity.”¹ This definition broadens the scope of health beyond the conventional curative framework, and orients it in a comprehensive preventive paradigm. It is not difficult to find people – educated and uneducated alike – who believe that health is to be taken care of when a disease strikes. However, the realization that “prevention is better than cure” has been growing, as more and more people take up preventive health care measures like regular check-ups and lifestyle changes.

Preventive health care holds enormous promise for the competitiveness of Indian companies, and for the country’s economy in the global arena. In an era when the service sector is gaining pre-eminence, the value of the individual² employee has increased more than ever before. Employees with specialized skills are the focal point on whose well-being and performance the productivity of a company rests. In a highly competitive corporate environment, companies cannot afford the absence of their employees due to sickness, caused by a sedentary lifestyle, etc., or a poor performance at the workplace due to poor health. Both as part of their corporate social responsibility and to boost their profits, a number of firms are offering preventive health care facilities to their employees.³ And it is on their performance, productivity and profitability that India’s growth potential and global competitiveness depends substantially.

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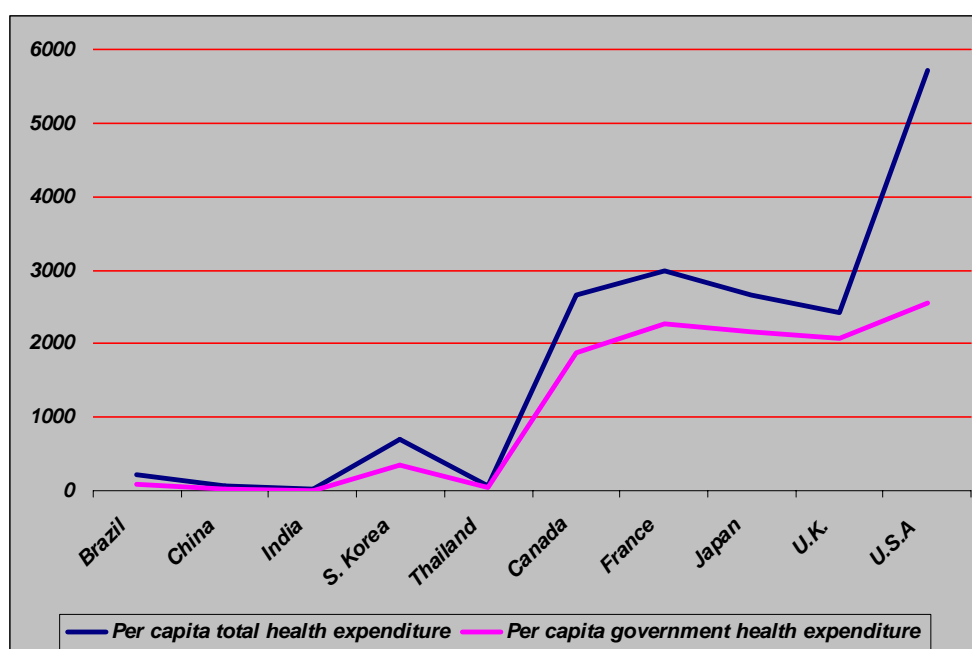
¹ Preamble to the Constitution of the World Health Organization as adopted by the International Health Conference, New York, June 19 - July 22, 1946.

² Preventive health care, in this document, is about the individual; and is therefore different from the term as used in government documents and hospitals, which is more in a general sense – implying hygiene, sanitation, etc. Preventive health care, as used here, is about preventive health check-ups (also known as Executive Health Check-ups, etc.) as offered by a number of private hospitals such as Apollo, Max, Fortis and Wockhardt (through which they identify and minimize the risk of diseases or provide specific protection or rehabilitation against a pre-existing disease), but only as the first step. Proper follow-up needs to be done in the form of treatment, as required, but more importantly, through lifestyle-related advice, psycho-emotional counseling, stress-relieving techniques, facilities for exercising like gym, etc.

³ According to the Wellness Council of America, more than 80 per cent of American companies with 50 or more employees have some form of preventive health care programmes for their employees.

Unfortunately, while the corporate sector has been quick to realize the benefits of preventive health care, policy has lagged behind and we do not yet have fiscal or other incentives that encourage prevention. While public spending on health has stagnated at 0.9 per cent of the GDP since the mid-1980s, and the government per capita health expenditure is one of the lowest in the world (US\$7, as against US\$2,548 in the United States: Figure 1), the government should focus its limited resources towards the health of the poor, and provide tax exemptions to sections which can take care of their own health needs.

Figure 1: Per Capita Health Expenditure in Selected Countries (in US\$)



Source: **The World Health Report 2006: Working Together for Health**, World Health Organization.

In India, an economy beset with limited health allocations and ever-rising treatment costs, preventive health care can emerge as a cost-effective mechanism. The Report of the *National Commission on Macroeconomics and Health* (2005), jointly brought out by the Ministry of Health and Family Welfare and the Ministry of Finance, says that the “prevention of diseases, particularly non-communicable diseases that are expensive to treat, is the most cost-effective strategy for a country facing scarce resources.” More so, when the country is striving for a two-digit GDP growth.

Even cash- and resource-rich companies are constrained by rising health care costs. According to a study of medical cost trends by PricewaterhouseCoopers for 2007, “increases in health spending have become a continuing source of pressures on business results and a frequent source of debate and finger-pointing. Employers’ only hope is to slow them down.”⁴ In their survey, Health & Wellness Programmes are seen by employers as useful investment in deflating health care costs. The Dallas Chamber Report (2006) provides evidence of benefits of corporate investment in preventive health care: “Employee wellness programmes can increase productivity and lower health-care costs. In the past 10 years, the annual return on investment for employee-wellness programmes has been about \$6 saved for every \$1 spent. Well-designed worksite-wellness programmes create a 25 per cent reduction in health-plan costs, sick leave, disability pay, and workers’ compensation.”⁵

Objectives of the Study

The objectives of this study are to:

- Examine the empirical evidence on relationship between preventive health care and labour productivity and corporate profitability;
- Generate awareness on the role of preventive health care in boosting the corporate sector’s performance and improving the country’s economy;
- Offer recommendations, on the basis of our findings, for policymakers and the corporate management to promote employee wellness programmes.

Preventive Health care in India’s Corporate Sector

The primary research undertaken for this study included an electronic survey of some of the most well-established companies in the country, as well as a field-cum-electronic survey with a sample of employees in Delhi and the National Capital Region.

⁴ ‘Behind the numbers: Medical cost trends for 2007’. PricewaterhouseCoopers’ Health Research Institute.

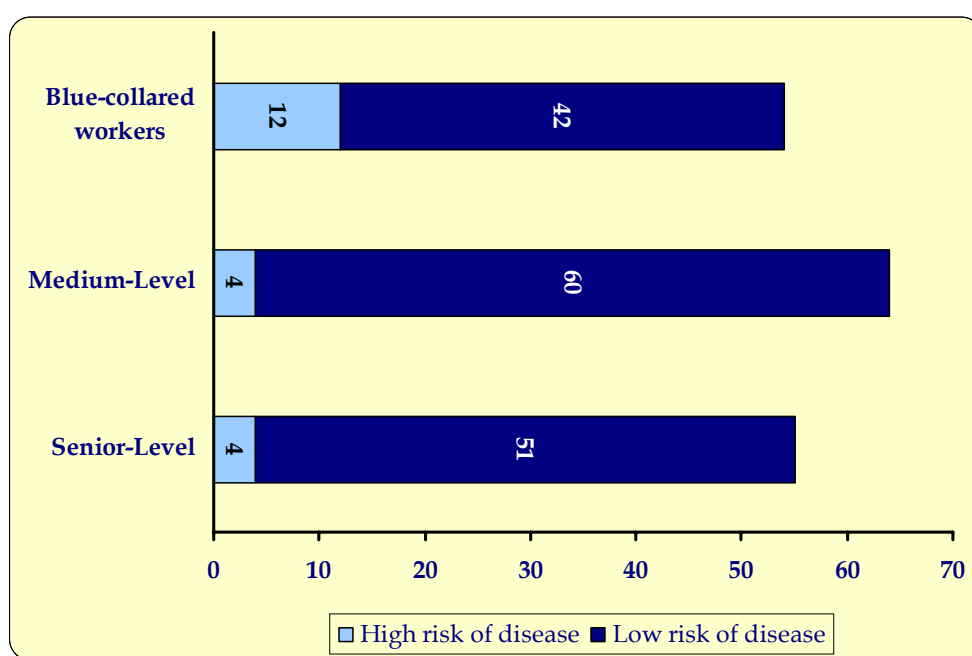
⁵ ‘Employee wellness programs can help trim medical costs’. The Chamber Report, May 3, 2006.

Company Survey

In the company survey, 57 per cent respondents (N=81⁶) belonged to the manufacturing sector, 43 per cent to the service sector. In terms of company size, respondents ranged from very small (with 5 employees) to very large (with almost 74,000 employees). Geographically too, they were well-represented across 15 states in all regions.⁷

Following are some of the findings from our company survey.

Figure 2: Risk of Disease According to Management Grades



As we see in Figure 2, blue-collared workers face a higher risk of disease compared to medium- and senior-level employees. It is also true that most of these blue-collared workers are unable to afford expensive curative treatment on their own and are usually not sent for preventive health check-ups by employers, or offered other such facilities, leaving them even more vulnerable.

⁶ Respondents included well-known companies like Becton Dickinson, Cadila, Coca-Cola, E-convergence, Emami, Exide, Fidelity, Genpact, Godrej, HCL Comnet, i-flex, IL&FS, Infosys, Kirloskar, Medtronic, Mico BOSCH, Microland, Motorola, Nestle, Pepsico, POSCO, Satyam, Sun Life, Syntex, Tata Consultancy Services, Tata Steel, TeamLease and Textron.

⁷ One of the respondents, affirming the objective of our research, said: "Preventive health care is essential in an organisation and this type of research work can be effective in raising awareness in the society."

Employees are covered by health insurance in many companies, and such costs could run up to 50 crore rupees a year, as stated by a respondent firm with roughly 37,000 employees. Health insurance companies offer discounts on premiums in cases where the risk of disease is lower, and it makes more economic sense for companies that offer health insurance to their employees to spend on their preventive health care to avail such discounts, and have a proactive healthy workforce at their disposal. According to a study by the *Journal of Occupational and Environmental Medicine*, reducing just one health risk increases an employee's on-the-job productivity by 9 per cent and cuts absenteeism by 2 per cent.⁸

Figure 3: Major Disease Afflictions among Employees Last Year

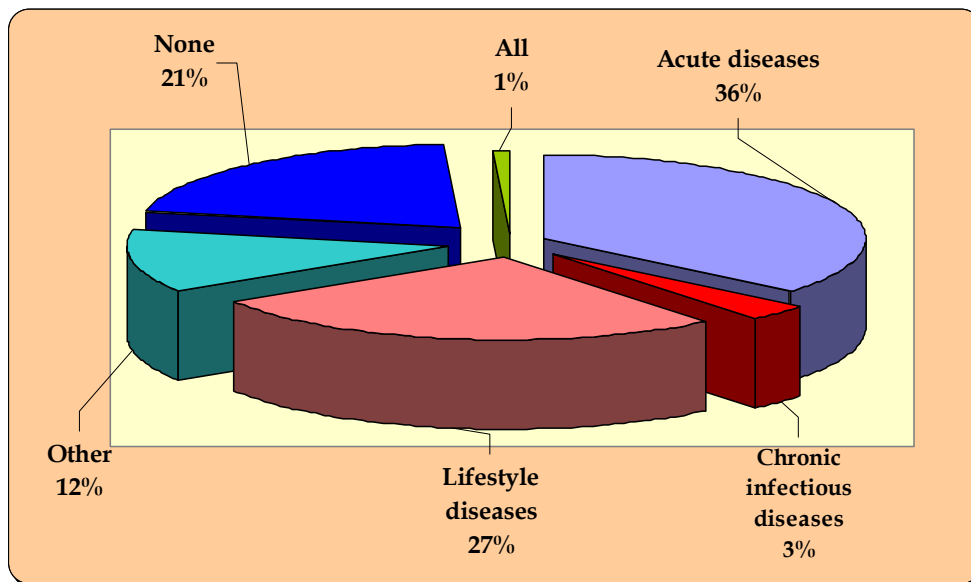
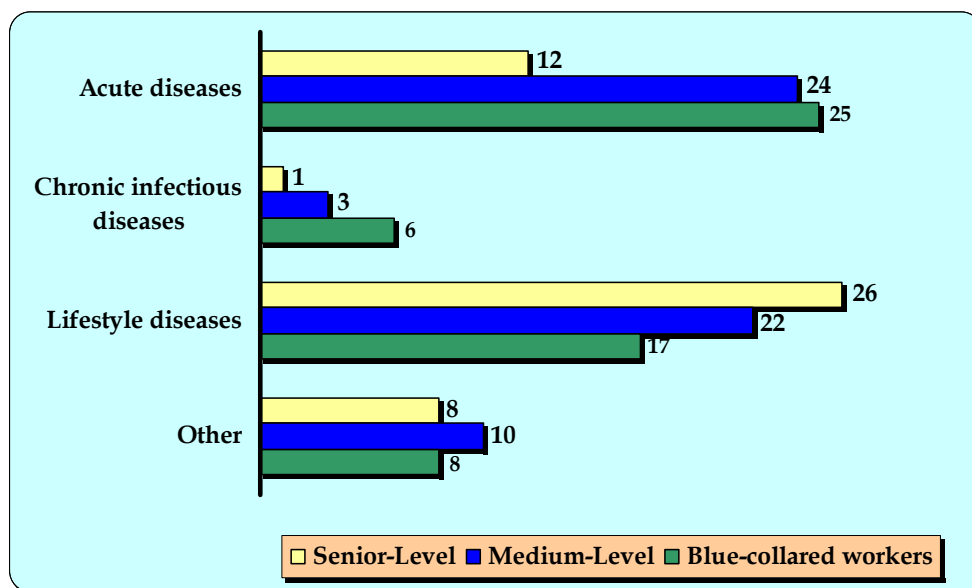


Figure 3 shows the disease profile in responding companies. Acute diseases (diarrhea, flu, malaria, dengue, etc.) have the highest prevalence, while lifestyle (or chronic) diseases are on the rise. India's National Health Policy 2002 confirms this trend: "The period after the announcement of NHP-83 has also seen an increase in mortality through 'life-style' diseases – diabetes, cancer and cardiovascular diseases" (section 1.6). According to WHO's Global Report, *Preventing Chronic Diseases: A Vital Investment* (2005), the estimated loss in India's national income due to heart diseases, stroke and diabetes in

⁸ 'Working Together for a Healthy USA'. *Fortune*. February 5, 2007.

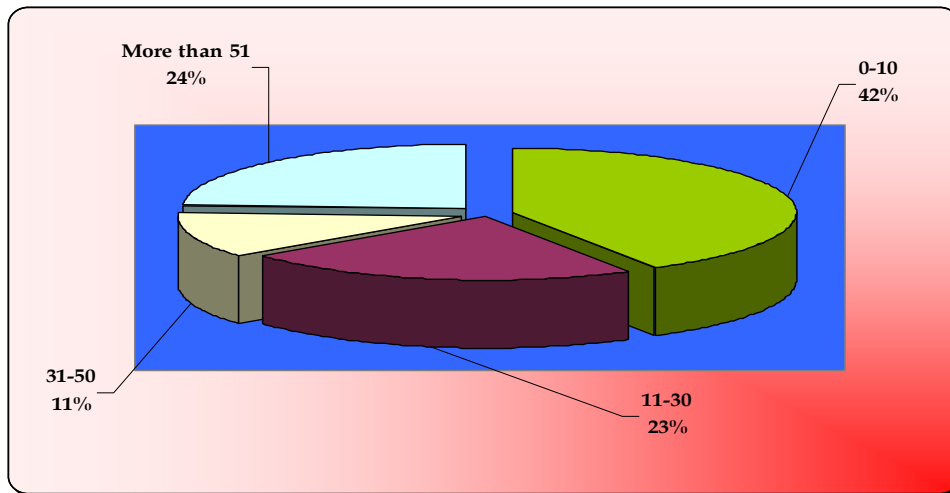
2005 was US\$9 billion; for Brazil, it was US\$3 billion. These losses are projected to exceed US\$200 billion over the next 10 years in India. However, with preventive measures, an accumulated economic growth of US\$15 billion could be expected.

Figure 4: Prevalence of Diseases According to Management Grades



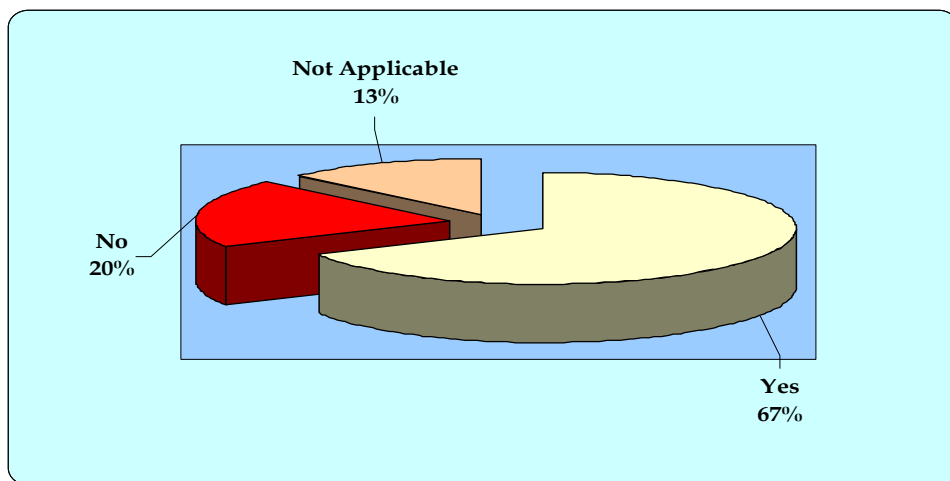
However, when we look at the disease profile according to management grades, in Figure 4, not unexpectedly, more blue-collared workers, with lower incomes, are afflicted by acute as well as chronic infectious diseases (tuberculosis, AIDS, etc.); while senior-level executives, with higher incomes, are afflicted by lifestyle diseases, owing to lack of physical exercise and dietary control. This corroborates the findings of *Health and Wellness Survey* (2003) conducted by Apollo Hospitals Group, which found that more than half of the executives were prone to lifestyle diseases, and that 71 per cent of the employees and 82 per cent of the CEOs were overweight, as well as 48 per cent of the employees and 69 per cent of the CEOs were physically unfit. So, it is clear that preventive health care measures have to go beyond the routine health check-ups, and extend to lifestyle management for effective outcomes.

Figure 5: Number of Working Days Lost Due to Sickness in One Year



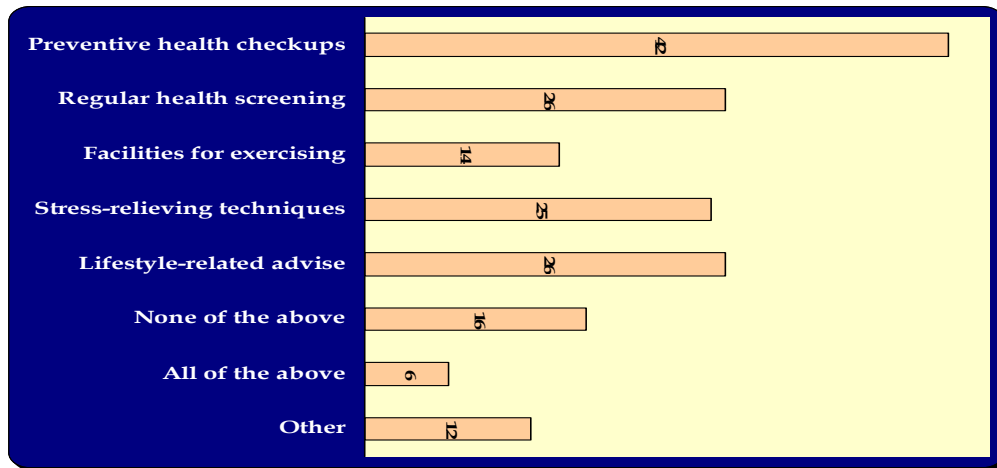
The direct impact of employee sickness is reflected in mandays lost as a result of it. In our survey, almost a quarter of the companies lose approximately 14 per cent of their annual working days (more than 51 days in a year) due to sickness, and one can expect an equal percentage of loss in their productivity and profits. To be able to compete with other companies, nationally as well as internationally, a number of firms are forced to drastically reduce the number of sick leaves for their employees. Only a preventive health care strategy can reduce the chance of sickness, and sick leaves.

Figure 6: Preventive Health care as Part of Corporate Governance



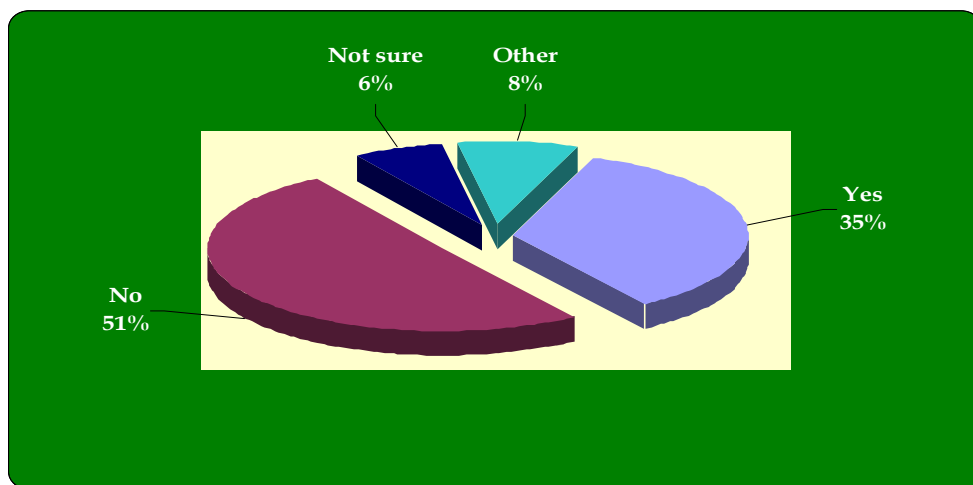
To mitigate health care costs, enhance productivity and increase profitability, we see in Figure 6 that more than two-thirds of the companies surveyed incorporate preventive health care in their corporate governance strategy. But a number of them feel that providing health insurance is sufficient.

Figure 7: Preventive Health care Facilities Offered to Employees



Among preventive health care facilities offered to employees, only 6 respondents offer all of those mentioned in Figure 7. Although it is encouraging to note that more than 50 per cent of respondents send their employees for preventive health check-ups, less than one-third of them make provision for more comprehensive preventive health care.

Figure 8: Company Policy to Follow-Up Preventive Checkup Reports



Furthermore, only one-third of them have a policy to follow-up on what comes out in the preventive check-up reports, which are but the first step in preventive health care. Promotive and remedial measures have to be followed up to complete the cycle and reap the discussed benefits.

Figure 9: Does Preventive Health care Increase the Productivity and Profitability of a Company?

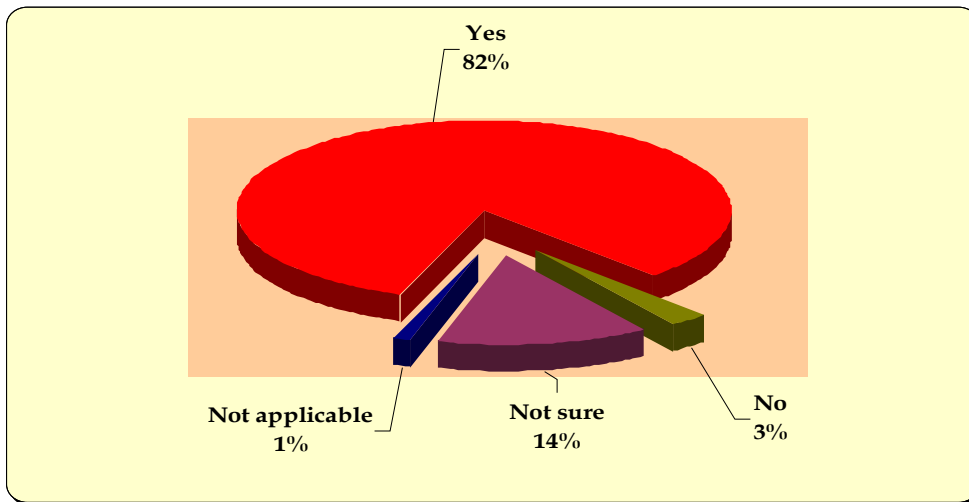
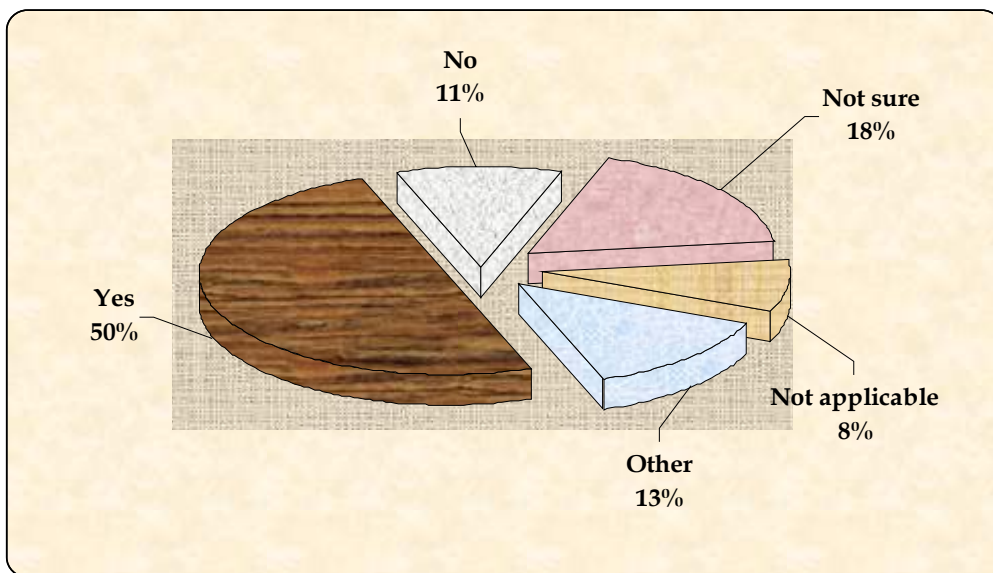


Figure 10: Interested in Preventive Health care Vouchers?

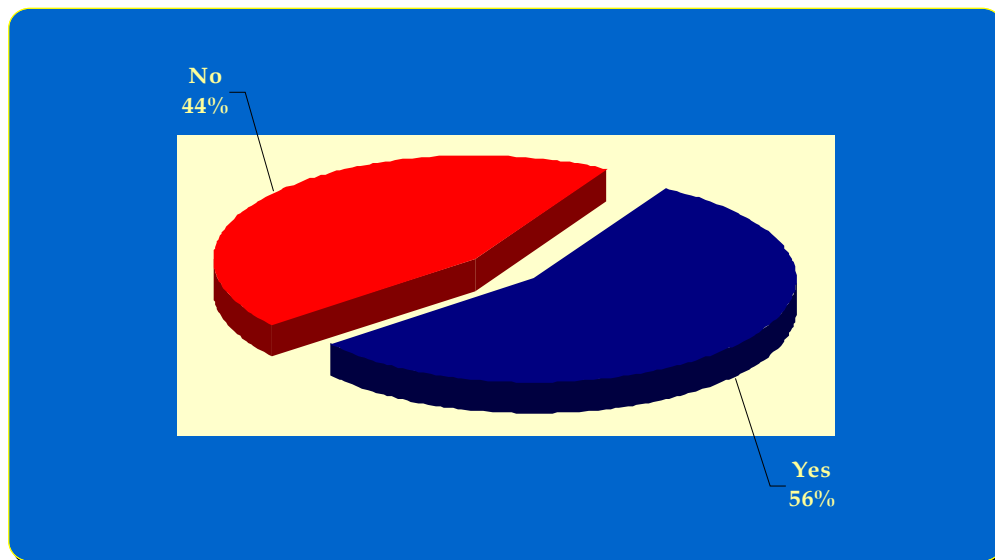


While 82 per cent of the respondents – including many of those who do not provide preventive health care facilities at present – agree that preventive health care measures increase their firm’s productivity and profitability, half of them expressed clear interest in offering preventive health care vouchers as an effective delivery tool, and a third wanted to know more details of the mechanism and concrete business proposals.

Employee Survey

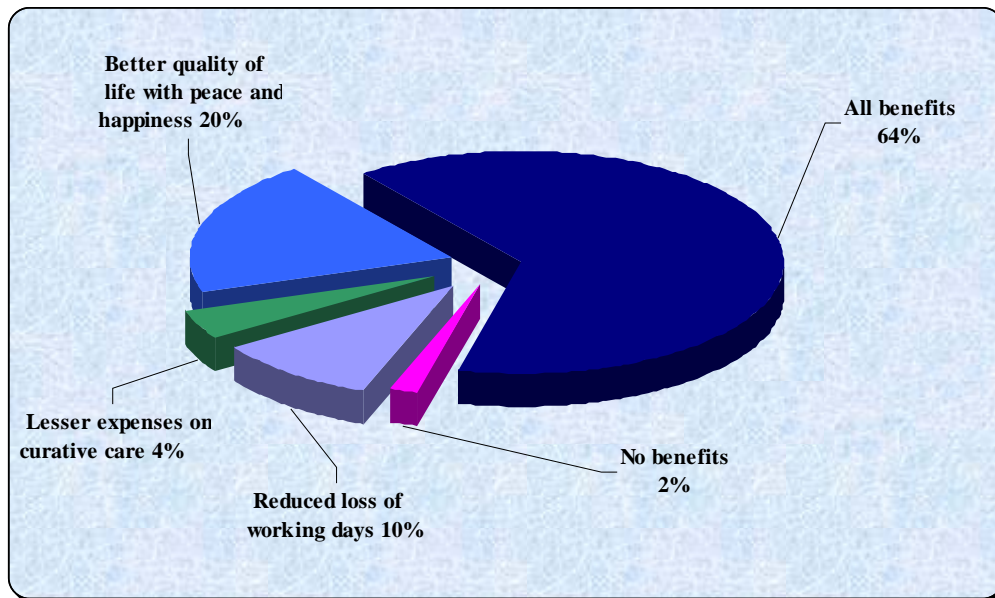
We had 288 respondents in our employee survey.⁹ 40 per cent of those who responded belonged to the manufacturing sector and 60 per cent to the service sector. 56 per cent of the respondents had undergone preventive health check-up at some point. Interestingly, the same percentage of responding employees were white-collared, among whom there is greater awareness and practice of preventive health care as compared to blue-collared workers.

Figure 11: Undergone Preventive Health Check-Up?



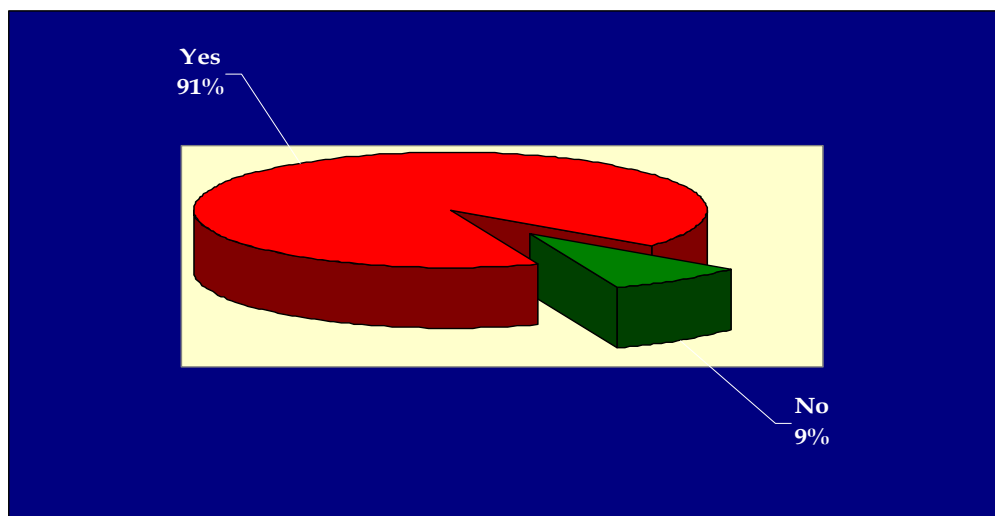
⁹ Employee respondents belonged to companies like Alcatel, American Express, Apollo Tyres, Bajaj, British Airways, Citibank, Convergys, Daewoo, E-convergence, Fugro, Gallium, Genpact, Gillette, Hero Honda, Hewlett Packard, IBM, IDEA, Larsen & Toubro, Maruti, McKinsey, Mico BOSCH, Microsoft, Nestle, Orange and Tata Consultancy Services.

Figure 12: Benefits Accrued from Preventive Health Check-Ups



Almost all of those who had undergone preventive health check-ups felt that these were beneficial, with many reporting a better quality of life with peace and happiness, which helps in avoiding presenteeism, leading to better performance at work. Even some of those who had not undergone check-ups felt that benefits accrued, and we find 91 per cent supporting preventive health care vouchers (Figure 13).

Figure 13: Should Employers Provide Preventive Health care Vouchers?



It is quite clear that the employees (the beneficiaries) are much more interested in preventive health care vouchers than employers. Nevertheless, it needs to be mentioned here that a number of employees did not go for preventive health check-ups in cases where they were offered by the company, either for fear that a disease might be detected and reported to the company, which could lead to their being dismissed, or they just did not feel like going due to lack of awareness regarding the benefits of preventive health care.

Recommendations

Based on our findings, we wish to make the following recommendations for the government and the corporate sector.

Recommendations for the Government of India

- Section 17 of the Income Tax Act provides exemption for medical expenses up to 15,000 rupees for employees. We recommend that this should be amended to include the whole range of preventive health care measures – health check-ups as well as expenses incurred in follow-up to these check-ups, i.e. lifestyle changes, stress-relieving techniques and counseling, gym, etc.
- Income Tax exemption under section 80D of the Income Tax Act is provided for insurance premium. Here too, provision for a similar exemption should be made for preventive health care measures.
- The government should provide fiscal incentives, like corporate tax breaks, to those employers offering preventive health care facilities to their employees.
- We suggest preventive health care vouchers as a service delivery system.¹⁰
- A preventive health care voucher system, like social health insurance scheme (as conceived in the National Health Policy 2002), funded by the

¹⁰ In view of the current trend of cash-less transactions, vouchers seem appropriate. They are not only more convenient, but more efficient in ensuring employees go for health check-ups, and not use cash for some other purpose. From employees' point of view, non-monetary incentives are becoming important, and employers are offering such incentives to attract the best. Preventive health care vouchers could be one of them. For employers and health care providers, a voucher system is helpful in saving their time and money which would otherwise be utilized in direct dealing; through vouchers, they can outsource this part and put their time and resources to better use and productivity.

Government, with service delivery through the private sector, could also be tried for the general public. Administrative and financial implications of such an initiative could become clear through a pilot scheme implemented in a limited manner.

- National Health Policy 2002 talks of a sectoral interface and a complementary performance for the achievement of health goals. In this spirit, the Ministry of Health and Family Welfare and the Ministry of Finance could collaborate and implement the recommended policy reforms. Such an interface has been successfully undertaken during the preparation of the *National Commission on Macroeconomics and Health* in September 2005.

Recommendations for the Corporate Sector

Certain Indian companies have introduced wellness programmes for employees, two eminent instances being Wipro (MITR initiative) and Infosys (HALE - Health Assessment Lifestyle Enrichment). To begin with, companies that do not provide preventive health care facilities to their employees, but are willing to do so, could learn from the experience of these two companies, whose performance and profitability are worthy of emulation.

Based on our findings, we recommend the following for the employers:

- Conduct health audit of all employees at regular intervals through preventive health check-ups;
- The interval and the ingredients of these check-ups should be determined by the job profile of various employees;
- A proper follow-up of preventive check-up reports should be done through treatment, lifestyle and other forms of counseling, gym recommendation, etc.;
- A whole range of preventive health care measures should be provided to the employees in consultation with medical experts, not just health check-ups;
- Incentives for developing preventive health care approach among employees could be provided in cases where their health status and performance shows improvement;

- Also, employees should be made to bear the partial cost of curative treatment, which will encourage them to adopt a preventive health care lifestyle;
- Simultaneously, preventive health care awareness camps should be organized for employees so that they appreciate the usefulness of preventive health care;
- Check-up reports of employees, counseling, etc. should be kept confidential, and they should be assured that these would not be used pejoratively against them, so that they feel encouraged to take up preventive health care practices;
- Schemes like vouchers that put purchasing power in the hands of employees, while ensuring that they are used for intended purposes (practicing preventive health care) could be considered as an efficient means of providing the whole range of health care measures.

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