If CEOs Only Knew…
Depression is a Bottom Line Issue

If CEOs only knew…the highest cost medical condition impacting their company. It is likely that direct healthcare costs represent their company's 2nd or 3rd highest expense (after salary costs). But costs to the corporate bottom line are more than just direct healthcare costs, indirect or related operational costs are just as important.

CEO's of small and large companies offer health coverage to their employees and families because they expect a return on their investment (ROI). They offer the security of healthcare coverage because they want their employees on the job, productive, and undistracted by health concerns for themselves or their family members. They offer benefits to attract and retain good employees, thus keeping down "turnover" costs of hiring, training, and replacing staff.

It is the CEO's job to look across multiple corporate silos and make decisions that benefit the overall organization. The problem is that corporate healthcare expense and the impact of illness is rarely measured across corporate silos as an ROI. New coverages and programs are not measured as investments. The benefit manager's task is to cut the line item of healthcare costs. The easy response to cutting costs for the healthcare line item is to reduce benefits, increase copayments, and cost shift to employees. But some of these actions may not be best for the overall corporate bottom line.

A November 2005 study by Dow Chemical Company in conjunction with Cornell University and the University of Pennsylvania developed an approach that models the financial impact of investing in a worker's health. The study uses traditional business ROI modeling to measure the direct and indirect costs of nine (9) major medical conditions.

The direct costs are, of course, the medical plan costs incurred as a consequence of an illness. The indirect costs measured in the Dow study are the costs of absences and impaired presenteeism (coming to work with an illness that impairs the usual level of productivity). The Dow study has a level of sophistication that includes multi-year interest discounting of costs and savings to achieve a Net Present Value. In addition, the study includes factors to reflect the different impacts of absences and impaired presenteeism by industry and type of job.

Using a typical company profile, the results were astounding and unexpected. By nearly 2 to 1 over the next rated condition, depression topped the list of corporate costs. Depression was not the highest direct healthcare cost, but it was by far the highest corporate costs per worker (direct and indirect costs). 4.3% of workers suffered from depression, with a cost of over $25,000 per worker, more than double the second most impactful condition of stomach/bowel disorders at about $13,000 per worker. Depression related corporate costs were more than double the $12,000 corporate per worker cost of diabetes.

If CEOs only knew…it's not just about treating depression as a single diagnosis. Surveys show that employers do not understand the interrelationship between many diseases and depression – generally referred to as co-morbid conditions. Many employees can not effectively recover from or stabilize chronic and persistent conditions such as diabetes, asthma, heart conditions, hypertension, or cancer because of a coexisting level of depression.

Without treating underlying depression, patients tend to be non-compliant with taking medications, making office appointments, and are not able to deal rationally with other medical symptoms. Untreated depression is also the underlying cause behind many payments made for treatment of digestive disorders, musculoskeletal, and cardiovascular diagnoses.

The Corporate Cost of Mental Health Conditions				
Medical Intensity	**Type of Condition**	**"Direct" MH Costs**	**Co-Morbid Conditions**	**"Indirect" Corporate Costs**
Low Cost	Frustration Anxiety Low Stress Minor Depression	**LOW**	Tobacco Use Sleeplessness Colds/Flu Blood Pressure	**Moderate–HIGH** Increased Errors Presenteeism Loss of Teaming
Medium Cost	Moderate Stress Depression Anger Attention Deficit Dis PostTraumatic Stress	**MEDIUM**	Hypertension Musculoskeletal Digestive Gastrointestinal	**Moderate-HIGH** Unsch Absences Poor Morale Relation Conflicts Lost Productivity
High Cost	High Stress Major Depression Schizophrenia Bipolar Disorder Obsessive Compulsive Panic Disorder Anorexia-Bulimia	**HIGH**	Cardiovascular Cancer Diabetes Asthma Back Pain Alcoholism	**HIGH** Low Productivity Divorce Turnover Early Retirement Worker's Comp Disability
Catastrophic	Violence Suicide	**HIGH**	Accidents Burns	**HIGH** Death Work Violence Disaster Recovery

Cutting costs and shifting risks to employees is easy to do. The harder analysis is to perform a real ROI analysis that includes direct and indirect costs. If healthcare was viewed as an investment with a desired ROI, the CEO might find that what are cuts in the healthcare budget and limits on mental health coverage are actually a drain on corporate productivity and profits.

If company computers crashed and corporate production ground to a halt, the CEO would demand immediate action to re-establish the corporate brains. In developing a “knowledge-based” workforce, it is just as important for CEOs to take care of the “central computer” within each employee. Depression is a treatable chemical imbalance in the brain not a character weakness. Benefit managers should provide CEOs with cross-silo multi-year ROIs for health conditions affecting corporate human capital. In doing so, the evidence is clear that CEOs will find the number one overlooked health condition impacting the corporate bottom line is untreated depression.

If CEOs only knew…that medical, clinical, and medication therapies have advanced such that depression and other mental health conditions have cure rates equal to and greater than many medical conditions. Depression can be cured. Treatments work. Medications are effective. No company, large or small, can avoid the issues and corporate costs of depression. Divorce, disability, and violence in the workplace can hit anyone at anytime. According to the Institute of Medicine 30,000 people die each year from suicide. 90% have diagnosed treatable depression. For a small employer the results can be devastating if a key employee or executive suffers from depression.

If only CEOs knew… I believe they would respond to the facts and take actions in their own best interest, the interest of their employees, and the interest of their company. It’s time that this problem is addressed by CEOs, who can see the broad picture and understand the potential devastation that depression can have on the corporate bottom line.

Ronald E. Bachman FSA, MAAA is a Senior Fellow at the Center for Health Transformation, an organization founded by former U.S. House Speaker Newt Gingrich. Nothing written here is to be construed as necessarily reflecting the views of the Center for Health Transformation or as an attempt to aid or hinder the passage of any bill before the U.S. Congress.