WELLNESS FACILITIES OF DOW CHEMICAL COMPANY:  
FINANCIAL ANALYSIS, PLANNING & CONTROL  
DIMENSIONS OF  
Participation Rates Among Dow Employees, Retirees, and Dependents

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Financial Analysis, Planning & Control Implications for Participations Rates Among Dow Employees, Retirees, and Dependents

Section 1: Financial Analysis, Planning & Control Aspects of the MSA 698 Issue

This paper is a continuation of a series of studies examining the issue of participation in the wellness programs at Dow Chemical Company. The lack of participation in the wellness centers is a problem for the organization because the participation rate of Dow employees, retirees, and dependents is designed to improve the health of the employees, and vital for the return on invested funds into the program.

This paper looks at how the participation rates impact the financial aspects of the organization. It also examines the impact finances of the organization have on the participation rates. There are specific questions that were formulated to address these issues. Those questions are:

1. What are the direct and indirect benefits realized from providing a workplace wellness center?
2. How does operating a company-owned wellness center compared to the alternative of contracting for memberships at a local fitness center?
3. Based on low utilization, medium utilization, and high utilization, at what point does DOW break-even and realize a return on investment in wellness centers?
4. How much funding it devoted to advertising the wellness centers and could additional funding increase utilization, enabling DOW to realize a return on investment?
5. What recommendations can be made to DOW regarding improving wellness center financial return on investment?
Section 2: Brief Review of the Literature

There are several reasons to implement a wellness program within an organization, including prospective financial benefits. Initially, there can be expenses to begin a program, depending on the extent of wellness tools that are offered in each program. Some programs are as simple as giving fitness and nutrition tips or hosting a step-counting contest for those who would like to participate, which would not have a financial impact on the organization. Other programs are more in depth, providing memberships to fitness facilities, nutrition classes from registered dieticians, biometric screenings, and providing healthy cafeteria options. In these programs, there is a financial commitment to the program, and if implemented correctly can create enough savings for the organization to pay for itself as well as providing additional savings, which can also be referred to as a return on investment. An organization can experience savings in different ways after implementing a wellness program, primarily in health care expenditures.

Some programs will not experience a return on investment in the first year, or even two years, so they need to track the outcomes with other methods to determine if their methods are working. This way they can decide if they are on the path towards a future return on investment. One way to measure the effects of a wellness program is by tracking the utilization of health care facilities. Johnson & Johnson implemented a wellness program and measured the employees’ outpatient visits, inpatient visits, mental health care visits, and emergency room visits during the first two years of the program. After seeing decreases in outpatient visits, inpatient visits, and mental health care visits, the organization saved an average of $224.66 per employee per year after the second year of the program (Ozminkowski, Goetzel, et al., 2002).
Programs can offer additional low-cost services to help increase employee participation, which can help increase the saving the company experiences. Web-based additions to programs can help provide additional benefits to the program. Web-based additions can include programs to help employees’ track their workouts and nutrition, or informational videos or articles to help employees understand the importance of a healthy lifestyle. Organizations in Pennsylvania of different types and sizes had their programs evaluated and the experimental group of organizations added a web-based portion to their programs, while the control group of organizations did not add the web-based additions. Web-based additions to existing wellness programs have been showed to have a positive financial impact on the organizations’ health care savings, when implemented for at least 3 years. On average, the organizations saved $332 on medical expenditures per employee per year for the organizations that added the web-based additions (Williams & Day, 2011).

It is important for inactive employees to start participating in the wellness programs, because inactive employees can potentially have more health risks and problems, which will cost the organization more in health care costs. A study was conducted to measure the savings created by employees who participated in organization-provided wellness programs who had not participated in previous years. The organization spent $35 less in health care expenditures per employee, and their return on invested dollars was $2.53 per dollar spent on the wellness program (Dement, Joyner, et al., 2015).

Organizations that spend more on implementing a wellness program expect to have a return on invested dollars in the program. Targeting specific health risk factors that employees face can help decrease their need for costly medical services. Citibank implemented a program that targeted health risks by providing an on-site medical clinic as well as a fitness program that
had a focus on behavioral changes for success. The program used biometric screenings to learn the specific areas in which the employees needed healthy lifestyle behavior changes. “Citibank’s Healthtrac Program, a major part of the overall effort, used health risk appraisals to determine those employees who were most likely to incur high medical costs in the future so that a more intensive health program could be focused in their direction designed to help change their behavior” (O’rouke & Sullivan, 2003, p. 35). The organization had a $4.50 return on invested dollars in the program (O’rourke & Sullivan, 2003).

Some programs focus first on health education for their employees, so they understand the importance of the wellness program and their participation in the program. “Because most of us can’t achieve the life we want instantly; the idea of training missions allows us to establish positive habits that become routines. Routines help us achieve our ultimate mission because they become second nature over time” (Burke & Cooper, 2013, p. 312). An organization that provided health education as well as a $500 financial incentive for the employees to use towards their health plan, saw a $4 return on investment for every dollar that was spent on the wellness program (Burke & Cooper, 2013).

Pervaaz and DiLorenzo discuss the importance of integrating financial wellness and physical wellness in the employees’ personal lives in order to increase the effectiveness of the programs. The employees should understand their personal baseline, financial behavior, and have awareness or take action to maintain or improve their financial status for their financial wellness. For their physical wellness, the employees should know their current state, be aware of their attitude towards physical wellness, have awareness or take action to maintain or improve their physical wellness. These approaches can help with stress and increasing understanding of
the importance of the wellness programs which can increase participation (Pervaaz & DiLorenzo, 2016).

Section 3: Brief Description of MSA 602 Organizational Data Collection Efforts

The organizational data for this paper was collected from multiple sources. Informal interviews were conducted with Mike Butzu, the director of the wellness centers, and Andrea Fenton, a former personal training client and a Dow Chemical Company employee. Personal observations were taken from the time spent working at the wellness centers. There were many different roles to observe from, including teaching group fitness classes, travelling between the different departments to implement health and fitness contests, attending and teaching different group fitness classes, and speaking with current and former Dow employees as well as their family members who are also members of the wellness facilities. Specific data for this paper was collected from Dow Chemical Company’s website, and Google searches. The information taken from the organization’s website provided data on the equipment and services available to the participants. The information used from Google searches provided the cost of some of the equipment available or that could be purchased by the organization to improve the wellness facilities and wellness programs. Due to the privacy of Dow Chemical Company and their records, the capital expenditures on the wellness centers were unable to be obtained.

Section 4: Equipment Costs and Utilization

The wellness centers required thousands of dollars of capital to be built and filled with the appropriate equipment. There are several high-end cardio machines and body composition measurement tools that Dow has provided the facility with, which cost more than the average piece of fitness equipment. For example, the body composition machine used at the wellness centers, the In-Body 570, costs over $10,000 (Roberts, 2016).
In an informal interview with Mike Butzu, the director of the wellness centers, he discussed the impact of utilization on the financial benefits of the program and when they experience a return on investment. During months of low utilization, usually the summertime when families are on vacation and people like to exercise outdoors, the organization usually just breaks even. During the other season, the wellness centers have higher utilization rates than the summer months and they experience a large return on investment, but not as high as they would like it to be for the amount of time and effort put into the wellness programs (Butzu, personal communication, 2017).

During an informal interview with Andrea Fenton, a former personal training client, and a Dow employee, she discussed her personal financial implications with participating in the wellness centers. For her, as well as others, there was not incentives offered to participate. She would not have started participating in the wellness centers if she had not won free personal training sessions for four months (Fenton, personal communication, 2017). That incentive, that is only offered to a handful of employees every couple of months, is not offered to enough employees create enough motivation to dramatically increase participation rates.

Section 5: Company-Owned Wellness Centers

There are pros and cons to an organization owning their own wellness facilities, versus contracting out to another gym or off-campus wellness services. Many of these pros and cons deal with up-front costs and returns on investment.

When an organization owns their own wellness facilities, there are more up-front costs and initial investments involved in the process of buying or building their facility, and providing the equipment. One of Dow’s up-front costs were the purchase of the buildings that were used for the Employee Development Center and the East End Wellness Center. Initial costs also
included the equipment for both facilities. There is a wide range of strength, cardio, and group fitness equipment in each facility.

Contracting through other gyms and wellness facilities will not cost the organization as much initially, but also may not provide as high of a return on investment. When the facilities are owned by the organization, they will keep the profits of the facilities as well as the potential savings from reduced health care costs. If the wellness services are contracted out through other facilities, the organization may experience savings from reduced health care costs.

Participation is important for the organization, because the membership fees help fund the upkeep of the equipment, and return on the invested money spent on the equipment. Owning the wellness facilities comes with the risk of losing the investment if the facilities are not utilized to their full potential. These types of facilities also have the opportunity to make a profit from membership fees, personal training fees, and fees to use the In-Body 570 body assessment tool. The wellness center charges $20 for the initial assessment and $5 for follow-up assessments for members and $10 for follow up assessments for non-members (In-Body Assessment, 2017).

**Section 6: Advertisement to Increase Participation**

There is an opportunity cost of Dow Chemical Company not addressing the issue of underutilizing free and low-cost promotional tactics. There are a variety of low-cost ways to promote the wellness centers in order to increase participation rates. The organization takes advantage of the use of emailing lists to send out monthly updates on the programs and events taking place at the wellness centers, but there are more free ways they can utilize to promote the facilities to the employees, retirees, and their dependents.

The retirees are less likely to check emails, or even have access to the Dow email, which limits the amount of information they receive about the wellness centers. There are better
channels to reach the attention of the retirees. Some of these ways include community outreach at the Midland Community Center, church events, and paper mail newsletters.

The dependents of current Dow employees do not receive the monthly emails, which means they only hear about the wellness center updates and events if the Dow employee in their family shares the information with them. This is not a reliable way to promote the wellness facilities to all possible members. Younger generations are more likely to be reached through social media approaches. Promoting the wellness centers through social media posts is free and there are several sites that can be used to reach a larger audience. Facebook, Instagram, Foursquare, YouTube, Snapchat, and Twitter are all ways to promote the facilities for free.

Section 7: Conclusions and Recommendations

Conclusions

The wellness facilities at Dow Chemical Company are owned by the organization and have had costs associated with the building and equipment for these facilities as well as the maintenance of the facilities. There are also costs involved in operating the wellness centers on a daily basis. These costs are covered by membership fees, personal training fees, and fees for using the In-Body 570 body composition machine.

The wellness center experiences higher rates of return on invested dollars during the non-summer months versus the summer months when utilization of the facilities is lower. The rates of return can be increase further by increased use of the facilities. The organization does not currently provide incentives for the employees to participate in the wellness facilities and programs, and the only incentives the wellness centers offer is free personal training to a couple of employees at a time.
Dow uses an email method to promote their company-owned wellness centers. These methods only reach the employees who actively use their Dow email address. There are other alternatives that can be used to reach the younger generations of dependents and younger employees, and alternative to reach the retired employees which are discussed in the subsequent section.

**Recommendations**

There are several strategies Dow Chemical company can use to improve the financial benefits of implementing a corporate wellness program. One strategy they can use would be to use more low-cost advertising methods to reach a larger population of potential members. Younger generations are more likely to be reached through social media promotions, while retirees are more likely to be reached by phone call or paper mail newsletters. The organization can also add in web-based learning tools to help reiterate the importance of participating with an educational and reference tool for the participants to utilize. Another recommendation would be for the organization to use biometric screenings to determine the main risk factors present in their employees, and target behaviors in the wellness program to improve those risk factors. The organization should also provide incentive for employees to participate, to create more motivation to utilize the programs. The last recommendation is to add a financial wellness class or classes, or include them in the web-based learning tool. Helping employees understand their financial status, behaviors that affect their financial status, and ways to improve their financial status by improving their health will help them realize the importance of their participation in the program. By implementing these recommendations for the ongoing future of the wellness program at Dow Chemical Company, the organization may be able to experience a higher return on invested dollars in the program.
References


