

## The Economic Impact of Obesity on Business

As the ongoing economic recession continues to take its toll on American business owners, many are searching for ways to streamline expenditures to remain solvent. Perhaps the costliest expenditures yet most valuable assets of any business are its employees. However, employees may also add to the financial burden of a business depending upon the employees' state of health. Many environmental and behavioral factors influence the health of the members of our labor market. Our fast paced society demands convenience to which the food industry responds by mass producing unhealthy, packaged, processed foods. The combination of unhealthy eating, sedentary lifestyle, and stress has resulted in the epidemic of *obesity*, soon to supersede smoking as the number one cause of disease in this country. The urgency of this problem has been exhaustively outlined in the medical and financial literature for over twenty years. Despite this, the prevalence of obesity continues to rise and has doubled during the last thirty years to now affect 35% our adult population.

Kentuckians can boast about their excellence in education, the horse industry, and college sports, just to name a few. However, our distinction also appears in recent national statistics pointing out the less desirable position we hold as the seventh most obese state in the country. In fact, we rank in the upper quartile of all states in heart disease, diabetes, arthritis, high blood pressure, and high cholesterol. According to a 2004 report released by the Kentucky Department of Public Health, 38% of Kentuckians are overweight, an additional 24% are obese, and 35% engage in no physical activity. Consequently, 6.2% (1.1 billion dollars) of all adult medical expenses in our state are attributed to the adverse health effects of obesity. This is higher than the national average of 5.7%. As the population of obese adults grows, the health of our labor force continues to diminish and the cost of employing these individuals is rising.

The economic impact of obesity on American business is staggering. Obese employees carry an annual price tag of approximately \$93 billion in direct medical costs. In addition, \$3.4 billion is spent on sick leave costs, \$2.5 billion is spent on obesity related life insurance spending, and

\$1.1 billion is spent on disability insurance spending annually. To put this in perspective, a firm with 1000 employees can expect to pay an additional \$285,000 annually for their obese employees. Replacement workers must be hired and re-trained when obese employees quit or take medical leave, other employees absorb additional expenses through rising health insurance premiums, and business owners pay a larger portion of insurance coverage.

So alarming is this epidemic, nearly 40% of U.S. companies have implemented obesity reduction programs with another 25% planning to do so within the next one to two years. State government agencies are following suit. The Kentucky state government took action in 2006 by encouraging the formation of the program "Why Weight Kentucky"? The Kentucky Employees Health Plan (through its health administrator Humana) partnered with ActiveHealth Management to provide weight loss education to 235,000 Kentucky state employees and their families.

Numerous studies have found that obese workers have higher insurance premiums and insurance claim costs, take more days off due to medical illness and treatment, and experience more employment discrimination. In addition, because obese employees are often in poor health, they may have an altered perception of the utility of work vs. leisure by diminishing the marginal value of work. A 2007 report released by Johns Hopkins reiterated reports from previous studies also confirming the association between obesity and the risk, distribution, and prevalence of work related injuries.

The Centers of Disease Control released a 2004 report comparing the absenteeism and medical expenditure rates of non-obese and obese employees. Whereas non-obese employees missed an average of three days of work annually, obese employees missed an average of five days. The average medical expenditure for a non-obese employee was \$1350 compared with \$2027 for an obese employee. In fact, the *most obese* employees make up 3% of the employed population but account for 21% of the medical expenditures.

Duke University Medical Center conducted a study in 2007 examining the economic impact of obesity on business. Their study found that obese workers filed twice the number of worker's

compensation claims, lost thirteen more days of work from work related injury or illness, and had medical costs seven-fold that of their non-obese counterparts.

As a business owner, I am painfully familiar with the financial aspects of running a business. As an internist, I see the health consequences of obesity on a daily basis. Obesity is an epidemic which will require a multifaceted, unified assault in order to be conquered. However, it requires action by the employer and engagement by the employee... Take the vending machine out of the building! Clearly, physicians also have a duty to promote health and wellness by stressing the importance of weight loss when they see these individuals in their offices.

Next month, I will discuss ways in which employers around the country are helping their employees adopt healthier lifestyles.