

Cordico White Paper  
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## Employee Assistance Programs (EAPs): Business Value, Strategic Impact, and ROI

## Executive Summary

One of the most cost-effective, yet frequently overlooked services a business can utilize is a high-quality Employee Assistance Program (EAP). Mental health issues including depression, anxiety, stress, relationship problems, and substance abuse are very common in the U.S. workforce, each of which costs businesses in multiple ways, slowing productivity, increasing absences, lowering employee morale, and leading to higher turnover. Mental health problems also result in a higher medical utilization, and more medical disability claims.

Research has found that high-quality EAPs yield a powerful ROI (up to \$10 for every dollar invested) via pathways including increased productivity, reduced turnover, reduced absenteeism, fewer disability claims, and reduced medical utilization. A strong EAP allows businesses to improve employee morale and organizational commitment by conveying to employees their value to the organization, and concern by the organization for the well-being of employees. In terms of overall bottom-line impact, high-quality EAPs represent one of the most strategic value-added investments available to organizations today.

## The Business Costs of Stress Issues in the Workplace

Increased **stress**, whether occasional or chronic, interferes with worker productivity, attendance, and morale. If not addressed effectively, responses to stress often result in interpersonal problems, worsening of work performance, and the emergence of more significant conditions requiring treatment.

Stress in the workplace is harmful, common, and on the rise<sup>1, 2</sup>. The percentage of workers reporting significant levels of workplace stress has increased in recent decades, and stress is one of the major factors in both work absence as well as job turnover<sup>1, 3, 4</sup>. Indeed, stress causes workers to miss more work days (up to four times more) than all medical problems combined<sup>4</sup>. Further, healthcare costs for workers with high stress levels are as much as 50% higher than for less stressed workers<sup>5</sup>. Stress may also play a significant role in as much as 80% of work-related injuries<sup>3</sup>. Sources of stress include high workload, interpersonal conflict, and managing work-life balance.

Elevated workplace stress may cost US businesses as much as \$300 billion annually through increased turnover, reduced productivity, increased absences, and increased medical utilization. Further, there is evidence that rates of absence and turnover have significantly increased in the time period since this estimate was published<sup>6</sup>.

Fortunately, there are numerous stress-management interventions that have been demonstrated to work effectively and quickly, requiring only a few sessions. Although many different types of interventions demonstrate medium to large effect sizes in reducing stress, cognitive-behavioral interventions show the most powerful impact on reducing stress and improving functionality<sup>1</sup>. Such interventions are provided by a trained mental health specialist, and generally result in rapid, measurable improvement, with enhanced well-being, improved work productivity, and greater job stability and longevity<sup>1</sup>.

**Depression** and **anxiety** are very common mental health issues in the US workforce. These problems have been empirically linked to significant workplace disruption, with substantial financial impact on businesses<sup>7</sup>. It has been estimated that some 217 million workdays are missed in the US due to mental disorders, with an associated annual cost of \$17 billion in lost productivity alone<sup>8</sup>.

Further, when these mental health issues are present, they significantly exacerbate medical conditions, driving up medical utilization and lost workdays<sup>9, 10</sup>. In fact, the presence of **depression** has been estimated to

double annual health care costs per employee<sup>11</sup>. The additional presence of high stress in a depressed worker resulted in a 147% increase in health care costs compared with those with depression only. Further, the presence of depression increases the likelihood of a long-term disability claim by some 2.2-fold, and stands as one of the strongest predictors of filing a worker's compensation claim. Depression is associated with a 2.5-fold increase in missed work due to illness, and a 50% increase in total time lost from work.

In addition to the direct effects that depression may have on the individual's work, co-workers, managers, and others in the work environment may experience decreased morale as a result of the identified worker's mental health problems. In addition, co-workers' emotional status may be adversely affected through what is known as the "contagion of affect", in which the negative emotions manifest by a depressed patient may be spread to others and thereby cause broader declines in productivity.

**Anxiety** has been particularly linked with high medical utilization, and significantly exacerbates existing medical conditions, leading to increased absences and decreased workplace productivity. Workers with depression, anxiety, substance abuse, or other mental health problems have on average a 5- to 10-fold increase in medical utilization and associated costs. One reason for this finding is that both anxiety and depression involve somatic complaints for which workers tend to seek medical rather than mental health treatment. Notably, this tendency is significantly reduced with effective mental health treatment.

**Traumatic** events often occur unexpectedly, and may cause substantial and persistent emotional distress to victims. Motor vehicle accidents, fire, assault, natural disaster, or the unexpected death or injury of loved ones can be terrifying, and can occupy the thoughts of the affected for weeks, months, or years after the event. Those who have experienced traumatic events are often persistently distressed by recurrent memories of the trauma and preoccupied with worries about the possibility of similar future events. Sleep disturbance, concentration difficulties, interpersonal difficulties, withdrawal from activities, and increased use of alcohol frequently occur in the aftermath of trauma, and may result in substantial impairment in work performance.

Marked improvement in emotional and interpersonal functioning is frequently observed in such individuals after only a few sessions with a therapist trained in trauma therapy. There are numerous brief interventions that help victims of trauma return quickly to their normal level of functioning, at the same time preventing progression to more severe potential problems, such as PTSD, depression, or substance abuse. In particular, early intervention with trauma-focused cognitive-behavioral therapy has been shown to substantially reduce the risk of developing PTSD following trauma exposure<sup>11</sup>. This form of proactive intervention exemplifies how an ounce of prevention may be worth a pound of cure. Taking steps early on to mitigate the psychological impact of trauma exposure, and to enhance emotion regulation and coping skills, can in many cases help the individual avoid PTSD and the problems that often accompany it, such as depression and substance abuse.

**Grief** is a painful yet nearly inevitable life event. In the course of a normal life span, most people will typically experience the loss of one or more loved ones,

and in doing so experience grief each time. While most people return to their normal status after a transitory period of grieving, some will experience persistent emotional distress, including yearning for the loved one, intrusive memories of the loss, and feelings of hopelessness. This prolonged grief may be accompanied by substance abuse, depression, and concentration impairment, as well as significantly increased risk for cardiovascular events and other medical illnesses.

Generally, grief counseling does not require specialized treatment, and clients typically respond very well to general psychotherapy interventions. Research has shown that those affected by grief can benefit substantially from psychotherapy regardless of whether the loss was experienced very recently, or years earlier<sup>12</sup>. Because of the ubiquity of loss, grief is a frequent reason for EAP referral. While most clients experience significant improvement within a few sessions, those with complicated bereavement may benefit from a referral by the EAP therapist for more specialized treatment of longer duration.

**Interpersonal problems** are an inevitable part of life for most people, and are typically adequately managed without professional assistance. However, when interpersonal disagreements or conflicts persist in the workplace, referral to an EAP therapist frequently results in a quick and satisfactory resolution. Left unaddressed, such conflicts can harm team cohesion and productivity, and may weaken organizational commitment. Work productivity can be significantly impacted when co-workers experience strong negative emotions toward one another or are unable to resolve personal differences. Survey data indicates that unresolved conflict can result in personal attack, increased absences, and project failure.

Similarly, relationship distress outside the workplace, such as marital conflict or family problems, can significantly harm worker morale and can substantially impair worker concentration and productivity. An analysis of data from the National Comorbidity Survey indicated that marital conflict results in U.S. business losses of \$6.8 billion annually<sup>13</sup>. Further, a survey of EAP clients revealed that 65% reported family problems as a significant difficulty<sup>14</sup>, making interpersonal difficulties one of the more common issues for which help is sought.

Providing an easy route to help via an established EAP, with counselors trained in managing relationship difficulties, can facilitate a more rapid and effective resolution of interpersonal difficulties, allowing employees to return more quickly to productive work.

**Substance abuse** problems, particularly alcohol abuse, are common and costly, in terms of reduced productivity, absenteeism, presenteeism (attending work while sick), as well as higher turnover rates. Further, untreated substance abuse problems place organizations at risk for reduced employee morale when the substance abuse problems intrude on the work environment, as well as increased liability for employees whose impaired status broadly increases the risk of harm.

As may be seen from the above review, there is abundant evidence that mental health conditions are common in U.S. workplaces, and that they harm the bottom line for businesses through multiple routes including reduced

productivity, absenteeism, presenteeism, increased medical utilization, and increased turnover. Less quantifiable but still important adverse effects include reduced employee wellbeing and harm to co-worker morale. Directly addressing mental health issues in the workplace, and taking steps to prevent such conditions, can pay substantial dividends by reducing these numerous sources of costs to businesses.

## **EAPs, Employee Wellness, and Workplace Productivity**

It has been well documented in nearly 200 published papers<sup>15</sup> that effective EAP prevention and intervention programs save businesses money in myriad ways. High quality EAPs result in improved worker performance, including reduced absenteeism and presenteeism, and lower employee turnover. In addition, there are benefit cost savings due to lower health care costs and reduced disability expenses. Several studies demonstrate that appropriate mental health care results in markedly reduced disability leave time, and improved work engagement<sup>16, 17</sup>. Although estimates vary depending upon the methodology and variables examined, studies examining treatment of depression alone provide estimates for the annual ROI for EAP services ranging from between 147%<sup>18</sup> and 400%<sup>19, 20, 21</sup>. When the calculation includes additional mental health conditions beyond depression, ROI is even higher: one study found that for every EAP dollar spent, the expected return on investment was between \$5.17 and \$6.47, for an ROI of between 517% to 647%<sup>22</sup>.

Other studies have shown that effective treatment for depression more than pays for itself<sup>23</sup>, with the costs of depression treatment entirely offset by savings from reduced absences alone. Additional savings would be realized through improved productivity and reduced medical utilization, factors which are well-known to be adversely affected by depression

Even in cases when more severe mental health or substance abuse problems are present, a long-term analysis shows that EAP services, in conjunction with appropriate referrals for specialty care and follow-up support, results in substantial overall savings to the organization. In these more serious cases, the short-term increase in immediate intervention costs have been shown to be less than the total costs that would result from inaction. In other words, even though a short-term increase in treatment costs may accompany the early involvement of EAP in more serious mental health/substance abuse cases, these short-term increases are more than offset in the longer-term via increased productivity, reduced absences, reduced medical expenditures, and fewer disability claims. As such, an EAP adds significant business value and represents a powerful investment for the organization.

## The Added Value of Premium EAP

Employees experiencing distress or impairment from behavioral or emotional difficulties benefit substantially from convenient access to high-quality mental health services. Businesses with an established mental health EAP help to remove obstacles between the distressed employee and mental health services that can offer substantial improvement.

However, EAP programs are not equivalent in effectiveness. Research on therapy outcomes demonstrates that clients have significantly better results, with quicker resolution of problems and reduction of symptoms, when seeing high-quality, experienced therapists<sup>24, 25</sup>. There is also a high dropout rate for therapists who are inexperienced and less skilled<sup>26</sup> with the result that problems and symptoms persist longer for distressed workers receiving inadequate treatment, while the numerous workplace costs that accompany persisting mental conditions continue to accrue. Indeed, the difference in outcome for therapists with differing levels of skills is so substantial that the clients of the most effective therapists ("Exceptional" therapists) show on average significantly more improvement, and more rapidly, than those therapists in the middle ("Average" therapists). In contrast, therapists with the poorest outcome actually make their clients *worse* on average—not just occasionally, but in the majority of their cases. These may be referred to as "Toxic" therapists.

This research on therapist effectiveness is important, because many EAP companies are based on a business model that competes on price-- providing a lower cost EAP service than their competitors. This requires contracting with therapists willing to accept very low fees. In practice, this results in the inclusion of therapists seeking to fill empty schedules, either because they are just beginning and so have less experience, or because of a mediocre (or worse) professional reputation as a therapist. By competing on price, standard EAPs are engaged in a "race to the bottom", offering the lowest reimbursement to therapists. The proportion of Average and Toxic therapists, who cannot otherwise command higher fees, will necessarily be higher in standard EAPs that compete on cost. Such an approach can have serious negative consequences.

While Average therapists typically have a moderate positive impact on clients, Toxic therapists cause measurable harm in their clients. In contrast, Exceptional therapists lead their clients to substantially better outcomes, and do so significantly more quickly than Average therapists. Disturbingly, Toxic therapists appear to make their clients worse as quickly as Exceptional therapists make their clients better.

In contrast to standard EAPs, Premium EAPs invest significant time in the identification and selection of Exceptional therapists. Exceptional therapists are identified on the basis of experience, reputation, review of qualifications, and screening by experienced doctors. Only those meeting the highest standards are accepted as a Premium EAP therapist provider.

Exceptional therapists, with years of experience, strong reputations, and a large caseload have little incentive to contract with standard EAP services that compete on price. Standard EAP companies can neither afford the time to screen, select, and interview high quality therapists, nor the higher fees to appropriately compensate the high quality level of therapy provided by Exceptional therapists.

In addition to careful and selective recruitment of high quality therapists, Premium EAPs pay their Exceptional therapists a high rate that is commensurate with their significantly higher quality, and substantially higher than rates paid by standard EAPs. By doing so, Premium EAPs ensure that Exceptional therapists are available to assist distressed workers to resolve their difficulties and return to normal functioning as rapidly as possible. Given the substantial differences in client outcome between Exceptional therapists and Toxic therapists, and the negative downstream effects that accrue and multiply when a crucial employee remains distressed—or worsens — after seeing an Average or Toxic therapist, the added value from careful selection of Exceptional therapists in the Premium EAP becomes obvious.

Similarly, rather than focusing on cost containment through sharply limiting the number of available sessions per employee, Premium EAPs attempt to make getting effective help as easy and productive as possible, with more generous benefits. Placing the emphasis on optimizing recovery and improvement in distressed employees, rather than controlling costs by limiting treatment, represents a powerful investment in helping employees resolve personal problems, reduce distress, and help them to return to normal—or better—functioning on the job.



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+1 844 CORDICO

[info@cordico.com](mailto:info@cordico.com)

[www.cordico.com](http://www.cordico.com)

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