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# Investments in Education Are Investments in Health: *The Business Perspective*

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## Can investments in education help lower employers' health care costs?

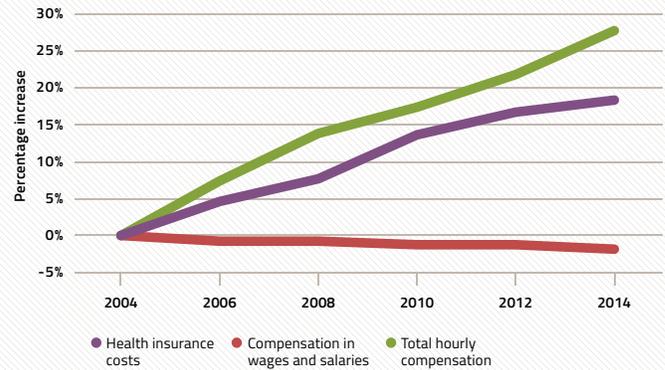
Private businesses pay for more than 20 percent of the nation's health care costs.<sup>1</sup> The costs of providing private health insurance for workers, including those employed in the private sector, are expected to continue to rise.<sup>2</sup> These increases affect the bottom line: they cut into profit margins and corporate growth. We know that in today's knowledge economy, education is key to a business's success;<sup>3</sup> but educated workers also have better health,<sup>4,5</sup> and this may lead to more productive employees and lower health care costs.<sup>6-10</sup>

Business expenditures for the health of their workers are not trivial (see Figure 1). Employer contributions to health insurance premiums are increasing, taking up a greater share of total employee compensation.<sup>11</sup> From 2004 to 2014, private business contributions to family health insurance premiums increased by 69 percent, from \$9,950 to \$16,834 per year.<sup>12</sup> Nearly 150 million Americans—more than half the non-elderly population—are covered by private insurance obtained through the workplace.<sup>13</sup> On average, private businesses spend \$29.13 per employee per hour, with 7.8 percent going to health insurance.<sup>13</sup> Employers spend \$557.6 billion annually on health care expenses, which include employer-sponsored health insurance, contributions to Medicare, workers' compensation, temporary disability, and worksite health care.<sup>13</sup>

**WHAT ARE THE BUSINESS CONSEQUENCES OF LOWER EDUCATIONAL ACHIEVEMENT AND POORER HEALTH?**

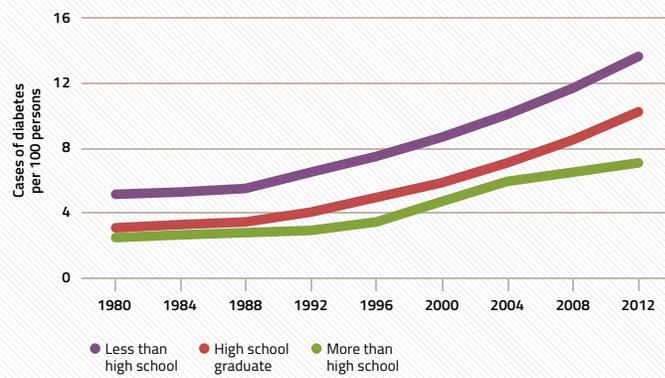
**Businesses spend more on health care for employees with less education.** Spending on health care—by businesses and government—goes disproportionately to the care of people with limited education, who tend to be more ill and require more intensive services. Chronic diseases, such as diabetes and heart disease, occur at much higher rates for people with a high school education or less (Figure 2).<sup>14-17</sup> And more than half of all health care dollars spent on adults are spent on chronic conditions, as is 80 percent of prescription drug spending.<sup>18</sup>

Figure 1. Private businesses are spending more on total compensation and health insurance



Source: Bureau of Labor Statistics, *Employer Costs for Employee Compensation Historical Listing March 2004 – September 2014*. <http://www.bls.gov/ncs/ect/sp/ececqrtn.pdf>

Figure 2. The prevalence of diabetes is increasing, especially among people with less educational attainment



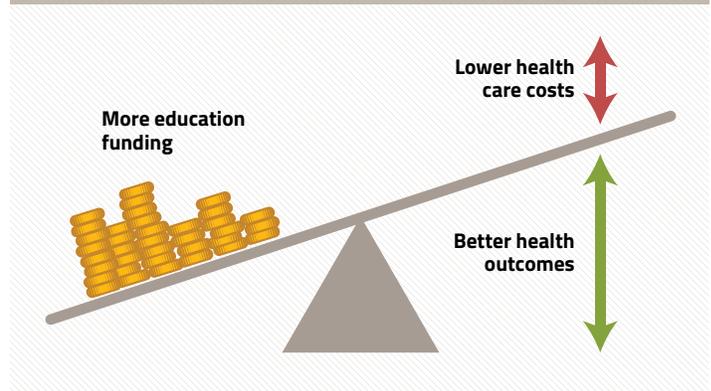
Source: Geiss et al. *JAMA* 2014;312:1218-26.

**Education is linked to the health of current workers, as well as the health of their families and dependents** (see Figure 3). Every additional year of education is associated with a host of improved health outcomes, such as longer lifespans, fewer work-limiting conditions and disabilities, and better self-rated health and mobility.<sup>4,5,19,20</sup> Education may decrease the frequency with which employees and their dependents suffer from chronic diseases like hypertension, obesity, and diabetes.<sup>15,21</sup> Increasing educational attainment is associated with healthier behaviors related to exercise, smoking, and alcohol use.<sup>20,22,23</sup> The education of today's children—employees' dependents—can shape the health of tomorrow's workforce, thereby helping to control the rise in employer health care costs.

**Healthier workers are more productive workers, making education a win-win for businesses and their employees.**<sup>3,6</sup> Educated workers are typically more capable, more creative, and less prone to absenteeism.<sup>8</sup> Absenteeism, defined as regular absence from work, is higher among those with less education;<sup>8</sup> similarly, presenteeism, when workers attend work but are not fully productive, is higher among those without a college degree.<sup>7</sup> Presenteeism may cost employers as much as three times the costs of health care for common diseases such as diabetes, heart disease, and hypertension.<sup>10</sup> Illness-related productivity losses cost U.S. employers \$323.1 billion in 2013.<sup>9</sup>

For businesses, higher educational attainment can translate to better health and therefore health care savings, which may reduce growth in employer-sponsored health insurance premiums. These savings, coupled with the increased productivity associated with a more educated workforce, could allow businesses to re-invest in their employees and other areas (e.g., capital improvements, training, or new technology), which in turn could lead to improved health of both the business and its workforce.

Figure 3. More funding for education may work as a counterweight to rising health care costs by improving health



The health benefits of better education have substantial implications for the U.S. economy. According to one study, if the health status of less-educated Americans were the same as that of their college-educated peers, the related improvements in health would save more than a trillion dollars annually.<sup>24</sup> The accrued savings to the economy from lower health care costs and reduced premium growth could allow the U.S. to offer employees higher wages<sup>25</sup> and improve workforce satisfaction in the United States.

### THE LARGER RETURN ON INVESTMENT FROM EDUCATION

The economic implications of a healthier, more educated workforce—and thus the total return on investment—go beyond spending on health care (see Figure 4). For example, educated Americans are more likely to be employed and to require less economic assistance and safety net programs, and their improved earnings contribute to tax revenue and a stronger economy, both nationally and in their communities.<sup>26</sup> Businesses benefit from these ripple effects because education enhances the skills of prospective and existing work talent. An educated workforce also supports economically vital neighborhoods by increasing the economic resources needed to purchase products and services.

Businesses also find that support for education can strengthen their brand and help fulfill their commitment to social responsibility, which in turn could enhance their image with consumers and investors.<sup>27</sup> Consumers are more loyal to companies they trust, and consumers are more likely to trust companies with strong ethics,<sup>28,29</sup> including the kind of civic responsibility associated with support for education. Supporting education can not only promote corporate responsibility, but also increase the human capital available for businesses.<sup>27</sup>

Figure 4: Beyond improving health, education brings broader economic returns



### SHORT-TERM AND LONG-TERM BENEFITS

Businesses are finding that educational investments have the potential to curb health care spending, not only as long-term investments but also in the short-run. One large employer reported that children and adolescents accounted for 17 percent of health care costs.<sup>30</sup> Nearly 17 percent of children and adolescents are obese,<sup>31</sup> making them more likely to require health care<sup>32</sup> and to miss school,<sup>33</sup> both of which can reduce employee productivity and contribute to higher employer-sponsored health insurance premiums. However, early childhood programs like Head Start are associated with reductions in childhood<sup>34,35</sup> and adolescent<sup>36</sup> obesity; beyond attending preschool, longer preschool days may improve the physical health of children.<sup>37</sup>

### INVESTING IN EDUCATION IS INVESTING IN OPPORTUNITY FOR AMERICA

In today's world, education is key to creating economic opportunity. In America's knowledge economy, young people need education for better jobs, and American businesses need an educated workforce to compete in the global marketplace.<sup>3</sup>

The bottom line: Strategic investment in education generates not only a more productive workforce, but individuals who can lead longer, healthier lives. The savings from a healthier, more productive workforce can strengthen not only individual businesses but the U.S. economy. America can not afford to ignore the return on investment in education.

## Other issue briefs from the Education and Health Initiative

### HOW BIG OF AN ISSUE IS THIS?

#### ISSUE BRIEF 1: The Growing

**Importance of Education:** Education matters more to health now than it ever has before. Today, people with less education live shorter lives with worse health and greater disability than their more educated peers. Education is important not only for higher paying jobs and economic productivity, but also for saving lives and saving dollars. Policies that address early child care, housing, transportation, food security, unemployment, and economic development are important to improving the deteriorating health of Americans with fewer years of education.

### WHAT'S CAUSING THIS?

#### ISSUE BRIEF 2: Exploring the

**Causes:** The full “back story” on the links between education and health are complex. This issue brief expands upon the interconnections between education and health alongside the perspectives of residents of a disadvantaged urban community in Richmond, Virginia.

### WILL HEALTH CARE REFORM SOLVE THE PROBLEM?

#### ISSUE BRIEF 3: Health Care:

**Necessary but Not Sufficient:** Efforts to achieve improved access to health care and health insurance are vital, but they cannot erase the health gaps related to education. Evidence from integrated health systems where all members have access to care still show that college-educated patients have better outcomes than those with less education.

### THE EDUCATION AND HEALTH INITIATIVE

This issue brief is a product of the Education and Health Initiative (EHI), a program of the Virginia Commonwealth University Center on Society and Health, supported by the Robert Wood Johnson Foundation.

- Launched in September 2012, the aim of the EHI is to raise awareness about the important connections between education and health.
- We “connect the dots” between distinct education and health policy spaces.
- We meet with leaders in government and the private sector—at the national, state, and local level—to explore the ties between education and better health.
- We produce online media and issue briefs to explore specific themes and stimulate discussion.

### THE CENTER ON SOCIETY AND HEALTH

The VCU Center on Society and Health is an academic research center that studies the health implications of social factors—such as education, income, neighborhood and community environmental conditions, and public policy. Its mission is to answer relevant questions that can “move the needle” to improve the health of Americans. We present our work in formats and venues that are useful to decision-makers and change agents. The Center pursues these goals through collaboration with scholars in different disciplines at VCU and other institutions, and by nurturing partnerships with community, government, and private-sector stakeholders.

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