

# EAP ROI CALCULATOR©

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## Introduction

Employee Assistance Programs (EAPs) are employer or organisation-sponsored programs provided to employees as a benefit, to assist them in dealing with emotional issues (e.g., stress, anxiety, depression, and substance abuse), family and relationship issues (e.g., marital, family, and childcare) and personal legal/financial issues. EAPs are also often made available as a resource for covered dependents and family members of employees. Purchasers of EAP services often want to know what kind of financial value or return, or ROI, they are getting from their investment in the EAP.

A significant amount of original empirical research has been conducted over the past 40 years to establish that there is often a positive financial return to EAP services. However, there are a number of limitations in this body of research such as the age of ROI statistics, ROI that is not specific and relevant to EAP services alone, and numerous methodological weaknesses. More importantly, employers or sponsors of EAP prefer ROI studies that are specific to their workforce, program model, and service provider. Conducting longitudinal outcome studies is also not a routine practice among most providers of EAP services. The alternative to undertaking an evaluation study is to develop a model that calculates the ROI, utilising various inputs derived from a combination of available industry research, cost data, and unique employer experience of EAP service utilisation and related EAP user outcomes data.

This approach is often accomplished through the use of a mathematical tool that features a specific logic and calculation method, and options for entering various kinds of data inputs into the model, or using standard default data inputs developed for the tool.

The Converge EAP ROI Calculator© (the “Calculator”), developed by Disease Management Strategy Group, Inc., and offered through Converge International in Australia, is a decision support tool that calculates the financial Return on Investment (ROI) for EAP. Converge International has contributed considerable default data research incorporated in the Calculator.

## Why is a ROI Calculator Needed in the Field of EAP?

There are no commonly used ROI Tools currently available in the EAP field. Most of the ROI Tools in use are exclusive to certain EAP vendors, and much of the logic and data is based on small sample studies and clinical guesstimates and are not driven by the research literature.

EAP is also somewhat unique in the area of workplace services and mental health in having a brief, but acute problem clinical profile for most of the users of the service. Thus, most service delivery is started and concluded within a month or two. This is in stark contrast to other kinds of workplace health services that have a more preventative or chronic care role, and assume a 12-month period of effect. Many other EAP ROI Tools mistakenly assume a 12-month effective period for workplace-based outcomes. Other EAP ROI Tools also over-emphasise the amount of avoided “savings” from the EAP in health care costs, but these kinds of savings are often limited to a small set of the more clinically severe cases within the EAP service caseload, and often take several years of appropriate treatment before these medical cost-offset savings even occur. Thus, a more realistic model is needed for the EAP field.

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## How is the EAP ROI CALCULATOR© Different than Other Approaches?

**Work Performance Outcome Area Featured.** The “Core Technology” of the EAP field emphasises how EAP services are designed to help employees who are stressed and have personal problems, with the goal of restoring a high level of work function. The Calculator also emphasises the primary role of outcomes from improvements in worker performance (both while on the job – called “**presenteeism**” and by not missing scheduled work time – called “**absenteeism**”) that occur much sooner than if the employee had not used the EAP.

**Realistic Episode for Workplace Outcomes.** Based on data for amount of time needed to deliver the typical number of EAP counseling sessions, and the time period of follow-up to assess changes after treatment, we use a **3-month (90-day) period** for how much time that the typical employee with EAP relevant issues may experience a negative impact on the level of work performance.

**Other Outcomes Also Included.** Other kinds of outcomes are included in the Calculator but with less contribution to the total savings, compared to the savings from the work performance outcomes. Avoided instances of **turnover** and **accidents** among employee EAP users both are relatively infrequent outcomes that are only relevant to a small part of the EAP caseload, and each outcome has multiple causal influences other than use of the EAP. Also relevant are the cost-offset savings in reduced medical comorbidity issues that are measured in annual health care claims costs – but these cost savings are only relevant to a small slice of EAP caseload (with more serious clinical problems), for which EAP only plays a minor role in the treatment, and ongoing case management over several years, needed to see the savings. However, in countries such as Australia, medical costs do not materially affect employers. However, employers in Australia do incur costs associated with claims whose cost varies from case to case and by State and Territory. These other outcomes all have a 12-month time frame, apply to a smaller set of EAP clinical users, and have a less direct causal path to considering the EAP as the primary cause of the improvement.

**Workplace Outcomes Suite (WOS).** Dr. David Sharar and Dr. Richard Lennox of Chestnut Global Partners, Inc. developed the WOS set of survey items in 2010. It is now utilised by over 400 EAP providers to measure the changes from before to after use of the EAP services in employee presenteeism and absenteeism (and three other outcomes of work engagement, work distress and life satisfaction). The Calculator includes default inputs based on the research database of responses to the single-item and five-item WOS Presenteeism and Absenteeism scales. Users who have collected their own WOS survey outcome data also can use their results in the Calculator, by following some data conversion instructions that adjust the results to fit the mathematical requirements of the Calculator.

**Research-based Default Data.** The Calculator uses the most extensive and current research-based default input numbers for EAP specific outcomes. For example, the default inputs for workplace presenteeism and absenteeism losses, and their improvement after use of counseling, is based on the average findings from eight major studies from over 100,000 users of EAP counseling services from different vendors in the United States, Canada and Australia. Other outcomes and cost value data, used as defaults in the Calculator, are based on the best available research studies and current economic data.

**Investment in EAP.** The investment figure is the cost to provide the EAP service for one year to the entire covered employee population. Note that this investment figure should represent only the portion of the fee paid for the EAP that reflects the delivery of EAP counseling services, as the return from outcomes associated other kinds of EAP services are not included in the Calculator. As counseling sessions typically account for most of the EAP service activity, we suggest using 80% of the full EAP program cost to represent the counseling only part of the overall price.

**Financial Return Metrics.** The cost savings from the Calculator are presented in two economic metrics of NPV and IRR and the standard Benefit to Cost ratio. Internal Rate of Return (IRR) is a rate of return used in capital budgeting to measure and compare the profitability of all kinds of investments. The IRR is expressed as a

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percent (%). This metric can answer the question of what is the financial return to the employer. The Net Present Value (NPV) is the sum of the present values (value in today's dollar) of incoming and outgoing cash flows from the EAP over a period of time. It is expressed in dollars. The Benefit to Cost Ratio is the simpler mathematical ratio that represents the total financial return or benefit (savings associated with use of the EAP) over the total cost or investment in the EAP service. This measure of return is expressed as a ratio. This metric can answer the question of how many Australian dollars in return does the company get back for every one Australian dollar invested in the EAP.

**Savings for Employees in Avoided Out of Pocket Treatment Provider Costs.** The Calculator generates as output the total of the costs that employees would have needed to pay personally out of their own pocket to get the same kinds of professional services that were provided at no cost from the EAP. These include savings in the market rates for service fees from licensed mental health and marriage and family counselors, financial advisors and career specialists. Only the employees with a successful clinical resolution of their case are included in this savings component.

**Customisation of Inputs and Outcomes.** The user has many options to customise the inputs and cost values beyond the defaults. It is designed as a consultative approach, with the EAP and their customer organisation both participating in the use of the Calculator. The EAP Calculator also has the option to calculate the return on investment for each type of outcome separately or in different combinations of outcomes.

**Break-Even "What If" Analysis Capability.** Users may calculate the break-even level of investment needed for a 1:1 return given user inputs for the program price, the level of utilisation or the level of program effectiveness for certain outcome areas (or changes to other factors). For example, the user can create different scenarios based on several different levels of utilisation and see how changing the utilisation rate changes the total return from the program.

## Steps in Calculation Logic

At Step 1, the EAP Module calculates the total cost burden associated with each employee "at-risk" (who is relevant to future use of EAP services but has not used EAP services). At Step 2, for the employees who actually used the EAP for individual counseling (based on the utilisation rate) the reductions in the cost burden for each outcome area are calculated. At Step 3, the calculator generates the net change or savings in the two cost burden amounts for each employee user of the EAP (i.e., the average cost burden per employee Without EAP vs. the average cost burden per employee with use of the EAP). At Step 4, the three return metrics are calculated.

## How to Use the EAP ROI Calculator with Customer Organisations

1. For Retaining Existing Customers of EAP. The Tool can be used with your EAP customers that have a history of utilisation data (one-year) and the budget or annual fee to invest in EAP. The use data can be adapted for the needed EAP ROI Tool inputs. The EAP should meet with the customer to determine the ROI inputs that are employer characteristics (wage, industry, etc.) and cost value of certain outcomes. Finally, for EAP outcomes, the EAP can use either the research norms that are defaults in the Tool or use their own book of business results or customer specific data if the sample is large enough.
2. For Projected ROI for New Customers of EAP. The Tool can be used with your new EAP customers that do not yet have a history of utilisation data (one-year) but do have a known annual fee to invest in EAP. The use data can be estimated for the needed EAP ROI Tool inputs. The EAP should meet with the customer to determine the ROI inputs that are employer characteristics and related outcome costs. Finally, for EAP outcomes, the EAP can use either the research norms that are defaults in the Tool or use their own book of business results.
3. For Sales Prospects of EAP. The Tool can be used with potential EAP customers. The EAP pricing and use level can be estimated for the goals of the prospect. The EAP can meet with the prospect to

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determine the parts of the ROI inputs that are employer characteristics and costs. The EAP outcomes can use either the research norms that are defaults in the Tool or use their own book of business results.

Converge International also offers private coaching on this implementation process to clients who have purchased the EAP ROI Calculator Tool. Please contact Converge International for more information and pricing of this additional coaching component.

## Case Study Example: ROI for Australian Manufacturing Company

### Company Information

The employer's main geographic region = New South Wales

The employer's industry/sector = Manufacturing

The primary occupation = General

Count of all employees at the company with access to the EAP = 7,896

Average employee annual gross salary (not include \$ value of paid benefits) = \$60,000

Working days per year = 260

### EAP Program Cost and Use

Investment cost of EAP service (per employee per year PEPEY) = \$25.20

EAP counseling annual utilisation rate for employee users = 6.20%

Total Program Cost = \$198,979 (\$25.20 PEPEY \* 7,896 employees)

### Financial Results (ROI)

Total EAP Program Reduced Costs = \$1,012,253 with Savings from Avoided Economic Workforce Costs (combination of Employee Presenteeism, Absenteeism, Turnover, Accidents, and Claims).

The Internal Rate of Return (IRR) = 409%

Net Present Value (NPV) = \$756,194

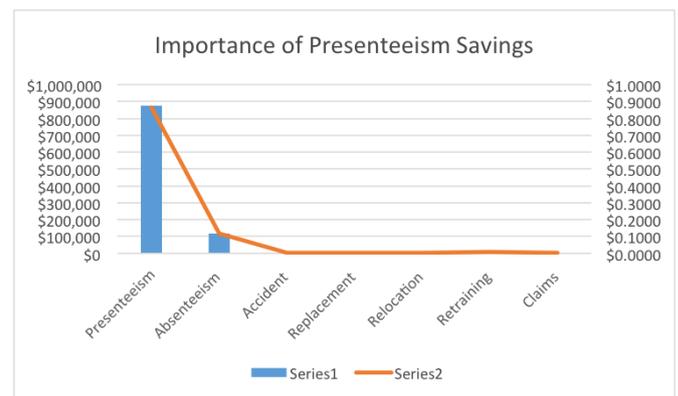
Benefit/Cost Ratio = \$5.09/\$1.00

In this example, for every \$1 invested in the program for counseling services, it returned a benefit to the company in reduced total costs in five outcome areas of \$5.09.

As the table and graph below show, reduction of presenteeism accounts for the largest savings from an EAP:

### EAP Savings by Type

Presenteeism	\$873,736	86.32%
Absenteeism	\$118,932	11.75%
Retraining	\$11,012	1.09%
Accident	\$4,405	0.44%
Replacement	\$1,525	0.15%
Relocation	\$1,321	0.13%
Claims	\$1,321	0.13%
<b>Total Savings</b>	<b>\$1,012,253</b>	<b>100.00%</b>



**Additional Savings to Employees.** Total savings in Avoided Employee Paid Treatment Provider Costs (out of pocket costs avoided by employees for use of providers similar to EAP if had not used EAP services) is equal to \$462,352. This figure is based on the \$1,159 in savings per case for the 81.60% of the total cases with successfully resolved clinical issues after use of the EAP (and zero savings for each of the other 14% of cases that did not have their clinical issues resolved by the EAP).

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## ROI Calculator Source List

Following is a listing of the default data used in the Calculator (including the source of the data). We have also included links to the various studies utilised.

### Average Provider Treatment Cost: \$1,286

Average cost of visits to providers to resolve an issue. Assumes 2 visits at \$400/visit for attorney, 3.5 visits at \$700/visit for financial advisor, 2.3 visits at \$238/visit for psychologist, and 2.3 visits at \$240/visit for social worker for 14,524 Converge cases in 2015.

### Accident Rate: 10%

Percent of employees with EAP-relevant problems having workplace accidents. Source: estimate from research of average employee with psychiatric/addiction disorders with higher rates of accidents than typical employees.

### Prevalence Rate of Issues: 26%

Prevalence of personal issues. Prevalence of personal issues: 20% from 2007 National Survey of Mental Health and Wellbeing; Prevalence of legal issues: 4% from statistics of Australian State and Territory Criminal Courts in 20014-15; Prevalence of financial issues: 2% from statistics on non-performance rates on bank credit cards and other personal lending in 2013.

### Premium Inflation Rate: 2.30%

Insurance and financial services inflation rate. Source: CPI statistics, Australia, 1st Qtr. 2015 to 1st Qtr. 2016.

### Discount Rate: 6.00%

Opportunity cost of capital of employer. Source: Australian 15 February 2017 Treasury Bond Rate or choose opportunity cost of not making alternative investments.

### Presenteeism Rate: 12.30%

Unproductive work time due to EAP-relevant problems. Defaults: 21.0% for 30-day episode, 15.8% for 60-day episode and 12.3% for 90-day episode. Source: Average of 8 major research studies of 144,617 EAP counseling cases. Accounts for 7.7% of normal presenteeism due to health issues.

### Days of Absence: 1.50

Days of missed work due to EAP-relevant problems. Defaults: 0.9 days for 30-day episode, 1.3 days for 60-day episode, and 1.5 days for 90-day episode. Source: Average of 8 research studies of 133,263 EAP counseling cases. Accounts for 0.4 days/month of normal absence due to health issues.

### Number of Days per Episode: 90

Average number of days of duration of an issue without the EAP. Source: Conservative estimate of average EAP cases.

### Effectiveness Rate in Reducing Absenteeism: 44.30%

Percent reduction in absence days: Default: 44.3%. Source: Average of 8 research studies with follow-up outcome data from 133,263 EAP counseling cases.

### Effectiveness Rate in Reducing Presenteeism: 39.70%

Percent reduction in unproductive time: Source: Average of 8 research studies with follow-up outcome data from 144,617 EAP counseling cases.

### Effectiveness Rate in Reducing Accidents: 10%

Percent reduction in the number of EAP users who will have an accident: Source: Conservative estimate.

### Effectiveness Rates in Reducing Provider Visits: 81.60%

Effectiveness rate in resolving personal issues. Source: Satisfaction survey of major Australian EAP.

### Effectiveness Rates in Reducing Turnover Costs and Claims: 10%

Percent reduction in the number of EAP users who will turnover: Source: Average of 3 research studies with multi-longitudinal follow-up and employment records for EAP cases with psychiatric/addiction disorders.

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## Links to Source of Default Data

<https://www.psychology.org.au/Assets/Files/2015-16-APS-IS-SRF.pdf>

<https://www.aasw.asn.au/practitioner-resources/private-practice>

[http://www.communitylawaustralia.org.au/wp-content/uploads/2012/07/CLA\\_Report\\_Final.pdf](http://www.communitylawaustralia.org.au/wp-content/uploads/2012/07/CLA_Report_Final.pdf)

<http://www.legallawyers.com.au/legal-topics/law-firm-sydney/solicitor-prices/>

<http://www.fedcourt.gov.au/forms-and-fees/legal-costs/national-guide-counsel-fees>

<http://www.moneymanagement.com.au/features/editorial/what-real-cost-financial-advice>

<http://www.theaustralian.com.au/business/business-spectator/price-of-financial-advice-its-not-worth-it/story-fng7vg0p-1226850825427>

<http://www.safeworkaustralia.gov.au/sites/swa/about/publications/pages/australian-workers-compensation-statistics-2011-2012>

<http://www.afr.com/leadership/staff-turnover-rates-drop-as-more-employers-get-retention-right-20130903-jyusr#ixzz49RZwXsWS>

<http://www.mercer.com.au/newsroom/leading-companies-reduce-turnover-with-creative-employee-benefits.html>

<https://salaryone.com.au/where-to-start-to-reduce-employee-turnover/>

[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/6AE6DA447F985FC2CA2574EA00122BD6/\\$File/43260\\_2007.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/6AE6DA447F985FC2CA2574EA00122BD6/$File/43260_2007.pdf)

<http://www.abs.gov.au/ausstats/abs@.nsf/mf/4513.0>

<http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/3235.0Main%20Features102014?opendocument&tabname=Summary&prodno=3235.0&issue=2014&num=&view=>

<http://www.abs.gov.au/ausstats/abs@.nsf/lookup/4102.0main+features202014>

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