Wellness Council
Improving Health to Empower Business

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To: Rep. Terry Moulton
Members of the Small Business Committee

Date: May 22, 2007

From: Deb Seyler, Executive Director
Wellness Council of Wisconsin

RE: Assembly Bill 235
Workplace Wellness Tax Credit

I am speaking **in favor** of Assembly Bill 235, the proposed workplace wellness tax credit, on behalf of the Wellness Council of Wisconsin, the local affiliate of Wellness Councils of America, an international non-profit organization dedicated to building healthier workplaces throughout the U.S. and Canada. We have over 325 corporate members in Wisconsin representing more than 400,000 employees, and I'm proud to say, the largest local wellness council in the country.

- **The motivation for wellness is clearly health care costs**, which are creating anxiety for everyone. Health and Human Services Secretary, Mike Leavitt, stated in 2/07: *"America's per capita health spending is the highest in the world...There is simply no place on the economic leader board for a nation that spends a fifth of its domestic product on health care...The only force strong enough to change the course of health care is a marketplace where consumers have the information and the incentive to choose quality and keep costs low."*

- **Our citizens are not the healthiest and health care costs reflect these trends**, with as much as 50-70% of health care costs related to poor lifestyle choices such as tobacco use, poor diet, and lack of exercise—all preventable! In Wisconsin, about 2 of every 3 adults are either overweight or obese. Annual obesity-related medical costs alone are estimated at $1.5 billion according to the WI Partnership for Activity & Nutrition (WI PAN).

- **The only group to rally behind the need to improve lifestyles is employers** according to Dr. Steven Aldana, author of *The Culprit & The Cure*. In fact, he notes that if an employer is <u>not</u> focusing on lifestyle, they are <u>not</u> managing the major contributor to health care costs.

- **Over 400 individual studies have proved that *properly designed* worksite wellness programs, will, in fact, impact health behavior and risks** according to Larry Chapman, one of the most recognized and respected experts in the field.

- ***Properly designed*** **means an organized, carefully designed and properly implemented program** that address both the major health concerns of the employer and employees' individual wellness needs and interests, and includes a number of common elements inherent in successful health promotion initiatives like senior management support, a wellness team, decisions based on data collection and analysis, a written annual operating plan, interventions based on measurable goals and objectives, a supportive health-promoting environment, and evaluation of outcomes. Unfortunately, most employers still have a disorganized collection of wellness activities that lack many of these elements of success and need assistance and encouragement to take their wellness initiative to the next level.

- **Health Risk Appraisals (HRAs)** are another common element inherent in successful health promotion initiatives. These health questionnaires help employees and employers quantify health status, assess current health behaviors and risks for future illness and/or diseases, enable goal setting and evaluation of wellness initiatives-benchmarking, provide an individual report to the employee, an aggregate report to the employer, are confidential, repeated annually, and often include health screenings and an educational or coaching component. HRAs are the cornerstone of serious worksite wellness initiatives, and as such, are an appropriate indicator of success.

- **No silver bullet for health care costs:** A report by The McKinsey Global Institute states, *"...No single factor is either the cause, or the silver bullet...To be effective, reform in the US health care system will need to involve all key stakeholders and... both the demand and supply sides of the system...Change will require the active and coordinated participation of providers, insurers, consumers, employers, and employees."*

- And, I would add, **government and legislators**! States like Florida and Michigan have already passed bills that allow insurance rebates for healthy lifestyles, and federal legislation is pending which would provide employers a tax credit for comprehensive health promotion programs.

- Wisconsin, I believe, was the first state to have a **Governor's Challenge encouraging Wisconsin workplaces to get fit**. I think it is only fitting that we also provide a tax incentive to encourage more employers to establish or enhance their worksite wellness initiatives.

- **Employee health management strategies are proving to be an integral component of the ultimate workable solution** to managing health care costs.

- **It's also the right thing to do** to enhance productivity, and improve the health and well-being of our workforce, community, and state!

- **I wholeheartedly encourage your support of this important legislation!**

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To: Chairperson Terry Moulton
Members of the Assembly Committee on Small Business
From: R.J. Pirlot, Director of Legislative Relations
Date: May 22, 2007
Subject: **Support AB 235**, creating an income and franchise tax credit for workplace wellness programs.

Wisconsin Manufacturers & Commerce (WMC) respectfully requests you support AB 235.

WMC is a long-standing supporter of initiatives to reduce Wisconsin healthcare costs and to help preserve affordable access to high-quality health care. Rising healthcare costs are a major concern for businesses, big and small, as they strive to stay competitive and create and retain good, family-sustaining jobs. Two-thirds of the Wisconsin population is covered by employment-based health insurance, but rising healthcare costs are jeopardizing the ability of Wisconsin employers to offer good healthcare benefits to their workers.

In general, WMC supports market-driven reforms aimed at increasing consumerism and competition to help keep healthcare costs under control. Consumers, given appropriate financial incentives to spur them to act and access to quality and outcome data on which to base their actions, are the surest way to stemming rising healthcare costs. As such, WMC supports a multi-faceted approach to healthcare reform. A key component of our healthcare reform agenda is encouraging Wisconsin businesses to promote living healthier lifestyles by their employees.

AB 235 would create an income and franchise tax credit for employers who institute workplace wellness programs for their employees. Under the bill, the amount of the tax credit would be 30 percent of the amount the employer pays to provide such a program. Programs such as smoking cessation, weight management, nutrition education and fitness incentives could qualify. The bill would limit the amount of credits which could be claimed, annually, to $2.5 million for businesses with 50 or fewer employees and $2.5 million for businesses with more than 50 employees.

WMC urges your support for AB 235 because we believe that one way we can collectively help allay rising healthcare costs is for all of us to start leading better, healthier lifestyles. Heart disease, cancer and stroke are often cited as the leading "causes" of death in the United States. But why do people suffer these conditions? Tobacco use, poor diet and a lack of regular exercise, and, a distant

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third, excess alcohol consumption are primary reasons why people suffer these conditions.

In Wisconsin, unfortunately, we tend to be a bit heavier and smoke a bit more than the national average. According to recent surveys, over one in five Wisconsin adults are cigarette smokers, nearly two in three are overweight or obese, and nearly one in five Wisconsin adults engaged in *no* leisure-time physical activity in the past month. How we live our lives matters, in terms of avoiding healthcare problems and their associated costs, both physical and financial. For example, a recent national study concluded that by implementing a program combining smoking cessation, weight management, moderate physical activity and a healthier diet, U.S. adults could prevent the incidence of:

- 90 percent of Type II diabetes,
- 80 percent of coronary artery disease,
- 70 percent of strokes, and
- 70 percent of colon cancers.

In summary, we all need to avoid tobacco, be physically active and eat right. Healthier lifestyles - coupled with early detection of diseases - can play a significant role in preventing heart disease, diabetes, high blood pressure, many cancers, memory loss and more. How we live matters, both in terms of our physical health and the healthcare costs we incur. Preventing health problems is one of the few known ways to stem rising healthcare costs. Smart employers are getting serious about wellness and prevention programs, helping to have healthy, productive workers . . . ones, hopefully, who will incur lower healthcare costs. AB 235 would provide an additional incentive for employers to invest in workplace wellness programs.

As such, Wisconsin Manufacturers & Commerce respectfully requests you support AB 235.

State of Wisconsin • DEPARTMENT OF REVENUE

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Jim Doyle
Governor

Roger M. Ervin
Secretary of Revenue

Assembly Committee on Small Business Hearing, May 22, 2007

AB 235 - Workplace Wellness Programs Credit (Rep. Moulton)

Description of Current Law and Proposed Change

The bill would create a non-refundable income and franchise tax credit for employers who provide a workplace wellness programs for their employees. The credit would be certified by the Department of Commerce and would be equal to 30% of the amount that an employer pays in the taxable year to provide a workplace wellness program to any of the employer's employees who are employed in this state. The credit may be claimed for three years. The services included in a workplace wellness program include smoking cessation, weight management, stress management, worker injury prevention programs, nutrition education, or health or fitness incentive programs.

The maximum amount of credit that may be claimed by all claimants is $5 million per taxable year, with $2.5 million per year being allocated for businesses with 50 or fewer employees and $2.5 million per year being allocated for businesses with more than 50 employees. The business could claim the credit for three years.

Fairness/Tax Equity

- Employers would receive a credit for expenditures to offer workplace wellness programs and facilities to employees that would not be available to private providers of those programs or facilities.

Impact on Economic Development

- Businesses offering workplace wellness programs as a benefit may be able to attract and retain better quality workers. To the extent that the credit provides an incentive for businesses to establish a workplace wellness program, the bill could result in improved worker recruitment and retention. In addition, to the extent that such programs reduce employee absences and health care costs, the credit could enhance worker productivity.

- On the other hand, to the extent that such programs reflect sound business practices, the incentive created by the credit may be unnecessary.

- The bill could negatively impact private providers of the type of services and facilities covered by the credit, such as, fitness centers, weight management and smoking cessation programs. To the extent that these programs would be provided independently by employers who receive a credit for expenditures incurred in offering the programs, it may be

difficult for private providers to compete with the employer programs. As a result, it may have a negative impact on economic development.

- The bill would provide an annual cap on the amount of credits that may be claimed in a taxable year. The benefit of an enforceable annual cap is that it limits the fiscal effect of the program. However, if the program does not include criteria for applying the cap, taxpayers cannot be assured of getting the credit. As a result it may not provide meaningful incentives for investment in the programs.

- Grants may be a more direct method of providing assistance to businesses rather than credits. With a grant, the recipient receives the funds up-front, before the investment is made. In addition, the benefit of the incentive does not depend upon the business having tax liability to offset with the credit.

Administrative Impact/Fiscal Effect

The estimated fiscal effect of the bill is a reduction in revenue of $5 million per year, the maximum annual amount of credit allowed in the bill.

The Department has the following technical concerns with the above referenced bill:

- The order of computation places the credit after the alternative minimum tax. The bill should also include a reference to the taxes imposed under s. 71.08. Section 71.08(1) should be amended to include this credit in the list of credits not considered when computing the alternative minimum tax.

- It is unclear whether a workplace wellness program must include all of the services listed in sections 3.a. through 3.g., or only any one or more of those services.

- It is unclear how the three-year limitation is to be applied. For example, in January of 2008 the employer began a smoking cessation program for employees. Credits are claimed for the smoking cessation program for 2008, 2009, and 2010. In 2011, the employer starts a stress management program. Would the new stress management program also qualify for three years of credit? One possible solution would be to limit the credit to taxable years beginning after December 31, 2007, and before January 1, 2011. Another would be to limit claiming the credit to three taxable years in total for any claimant.

Prepared by: Michael Oakleaf, (608) 261-5173

May 15, 2007

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Creation Technologies Wisconsin Inc
2250 W. Southbranch Blvd.
Oak Creek, Wisconsin
USA 53154

Matt Seaholm
Office of Rep. Terry Moulton
Wisconsin's 68th Assembly District

May 19, 2007

Dear Matt,

I am writing this letter on behalf of Creation Technologies Inc., Wisconsin, a Manufacturer of electronics assemblies, located in Oak Creek Wisconsin. We have about 375 employees that work at our Oak Creek Wisconsin site. We are in support of Assembly Bill 235 – Workplace Wellness Tax Credit. Our company started it wellness program in 1992 and it has been successful ever since in helping our employees stay healthy and reduce our health insurance premium. The people in the State of Wisconsin are known for their beer/alcohol consumption, being over weight, smoking, eating too much red meats and general poor health. The responsibility for those choices belongs to and with the individual. However, we all need good role models to set the example and to teach us and show us the way. Many employers are leading the way with wellness programs not only to save health care costs but because it is the right thing to do. Companies can spend many thousands of dollars in trying to implement a wellness program with a pay back in about 3-5 years. A tax credit would not only help ease this financial burden but would also say that our State government officials care enough about its people to encourage this great effort.

Thank You for your time and effort.

Sincerely,

Ronald R. Rutowski
Human Resource Leader
Creation Technologies Inc., Wisconsin