

# Issue Brief #9 For Employers

## An EAP that Addresses Substance Abuse Can Save You Money

*This brief could save  
your company money  
and takes less than 2  
minutes to read!*

**Substance use disorders<sup>+</sup> can negatively affect an employer's bottom line by increasing health care costs and reducing productivity.** But employers have a simple and cost-effective tool available for addressing these risks: a workplace substance abuse program administered through an Employee Assistance Program (EAP).

### DID YOU KNOW?

Employee Assistance Programs (EAPs) are designed to help identify and resolve productivity problems affecting employees who are impaired by personal concerns. EAPs come in many different forms, from telephone-based to on-site programs. Face-to-face programs provide more comprehensive services for employees with substance use disorders, including confidential screening, treatment referrals and follow-up care. Assuring that workers with substance use disorders receive treatment can help employers save money. Intervening early can prevent the need for more intensive treatment and hospitalizations down the road.

### EMPLOYERS SEE SAVINGS WHEN EAPs ADDRESS SUBSTANCE ABUSE

- ◆ 80 percent of federal workers and their family members who received treatment for alcohol or drug problems through the Federal Occupational Health EAP reported improvements in work attendance. A majority also reported improvements in both work performance and social relationships.<sup>1</sup>
- ◆ ChevronTexaco found that from 1990 to 1996, 75 percent of employees who entered the company EAP with alcohol problems were able to retain their employment, saving the company the cost of recruiting and training new employees.<sup>2</sup>
- ◆ Gillette Company saw a 75% drop in inpatient substance abuse treatment costs after implementing an EAP.<sup>3</sup>
- ◆ A large international holding company found that employees who used an EAP for help with mental health and substance use problems had fewer inpatient *medical* days than those who only participated in the company's medical insurance plan. In addition, the company saved an average of \$426,000 each year on mental health and substance abuse treatment as a result of employees' participation in the EAP.<sup>4</sup>

### How Substance Abuse Impacts the Workplace

Substance abuse costs the nation an estimated \$276 billion a year.<sup>5</sup> Lost work productivity and excess healthcare expenses account for the majority of those costs. The magnitude of the cost, coupled with the fact that 76 percent of people with drug or alcohol problems are in the work force<sup>6</sup>, gives employers a major stake in ensuring that employees have access to treatment.

Substance abuse by employees results in:

- ◆ Higher healthcare expenses for injuries and illnesses,
- ◆ More absenteeism,
- ◆ Reductions in job productivity and performance,
- ◆ More workers' compensation and disability claims and
- ◆ Increased safety, and other, risks for employers.<sup>7</sup>

Conducting random drug testing and firing offending employees can have a short-term impact but may ultimately be more costly because the cost of replacing employees is high and the risk remains that new employees may also abuse drugs or alcohol.<sup>8</sup>

### HOW TO HIRE AN EAP

1. Develop specifications and request proposals from several EAP vendors.
2. Evaluate their capabilities, for example, the range of services they offer, the types of clients they currently serve, their ability to meet your company's specific needs.
3. Include performance standards in your EAP contract so you can measure the effectiveness of your investment.

<sup>4</sup>The maladaptive pattern of substance use leading to clinically significant impairment or distress such as failure to fulfill social or occupational obligations or recurrent use in situations in which it is physically dangerous to do so or which end in legal problems. At some point, changes in the brain can turn abuse into addiction, a chronic, relapsing illness. *Diagnostic and Statistical Manual of Mental Disorders, Fourth Edition.*, pp. 181-183. Washington, DC: American Psychiatric Association, 1994.



## EAPs Can Reduce Costs Related to Substance Abuse

EAPs address a wide variety of concerns that may negatively affect job performance, including mental health issues, financial and legal problems, career advancement and other personal problems.

EAPs can:

- ◆ Screen for risky behaviors involving alcohol and drugs;
- ◆ Educate employees about the health consequences of substance use;
- ◆ When necessary, refer employees for appropriate treatment; and
- ◆ Provide support services that address recovery and the chronic nature of addiction

Incorporating a substance abuse component into an EAP can help reduce absenteeism, improve employee health and job performance, and reduce medical costs, all of which save employers money.<sup>9</sup>

### FAST FACTS

- ◆ Replacing an employee costs from 25 percent to almost 200 percent of his or her annual compensation—not to mention the loss of institutional knowledge, service continuity, and coworker productivity and morale that can accompany employee turnover.<sup>10</sup>
- ◆ The Federal Occupational Health agency, in a prospective cost-benefit estimate of Employee Assistance Programs, showed that for every \$1 spent on the EAP, the expected savings for the first year would be \$1.27, and those savings would rise to \$7.21 by the fifth year.<sup>11</sup>

## Make an EAP Part of Your Benefits Package

Most EAP providers charge for their services on a per-person basis, and annual fees of \$12 to \$30 per employee are common. It also is possible to contract with an EAP provider for services used, usually at an hourly rate.<sup>12</sup>

## Find an EAP Provider

To locate a provider in your area, check local directories for EAPs and for substance use information and treatment centers. Good sources of information include chambers of commerce, trade associations and other employers, as well as local hospitals, health maintenance organizations and your insurance carrier. The Employee Assistance Professionals Association offers a Guide to Employee Assistance Programs and Services on its Web site: <http://www.eapassn.org/public/providers/>.

## For More Information

- The Division of Workplace Programs in the Substance Abuse and Mental Health Services Administration offers an EAP “tip sheet” at <http://workplace.samhsa.gov/WPWorkit/ts8.html>.
- The Employee Assistance Professionals Association offers an online guide to EAP services at <http://eapassn.org/public/providers>.
- The U.S. Department of Labor’s Working Partners program provides information about EAP issues at <http://www.dol.gov/asp/programs/drugs/workingpartners/dfworkplace/ea.asp>

## References

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- <sup>2</sup> C.R. Cummings, Testimony on workplace substance abuse prevention programs before the Subcommittee on National Security, International Affairs and Criminal Justice of the U.S. House of Representatives, 1996.
- <sup>3</sup> T.C. Blum and P.M. Roman, “Cost-Effectiveness and Preventive Implications of EAPs,” U.S. DHHS, SAMHSA, Pub. No. RP0907, 1995.
- <sup>4</sup> Ibid.
- <sup>5</sup> Harwood, H., Fountain, D., & Livermore, G. (1998). *The Economic Costs of Alcohol & Drug Abuse in the U.S. 1992*. Rockville, MD: National Institute on Drug Abuse and National Institute on Alcohol Abuse and Alcoholism. <http://www.nida.nih.gov/economiccosts/index.html>. (Accessed 5-9-08).
- <sup>6</sup> SAMHSA, Office of Applied Studies, *National Survey on Drug Use and Health 2005 and 2006: Table 5.8.A*. Rockville, MD, 2007. <http://oas.samhsa.gov/2k6nsduh/tabs/Sect5peTbs1to13.pdf>. (Accessed 5-7-08).
- <sup>7</sup> Harwood, H. J. & Reichman, M. B. (2000). The cost to employers of employee alcohol abuse: A review of the literature in the USA. *Bulletin on Narcotics, Vol. LII*, Nos. 1 & 2. Geneva: United Nations Office on Drugs and Crime.
- <sup>8</sup> F. Leigh Branham, “Six Truths about Employee Turnover,” NY: American Management Association. <http://www.nichebenefits.com/Library/sixtruths.pdf> (Accessed 5-19-08).
- <sup>9</sup> P.M. Roman and T.C. Blum, “The Workplace and Alcohol Problem Prevention,” National Institute on Alcohol Abuse and Alcoholism. *Alcohol Research and Health*, 26, no.1 (2002): 49-57. <http://pubs.niaaa.nih.gov/publications/arih26-1/49-57.htm>. (Accessed 5-14-08).
- <sup>10</sup> Branham. *Op Cit*.
- <sup>11</sup> J. Wrich, An Employee Assistance Program Benefit to Cost Ratio: A Prospective Estimate. Unpublished study prepared for DHHS, Federal Occupational Health, 1999.
- <sup>12</sup> Collins, Kenneth, 2001. Buying an EAP with Your Eyes Open. Society for Human Resource Management. Alexandria, VA.

