

# COUNTING COSTS AND CALORIES

Measuring the Cost of Obesity to Texas Employers

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## EXECUTIVE SUMMARY

### The Cost of Obesity: Squeezing Texas Employers

The phrase, “Everything’s bigger in Texas,” rings true when we consider the current state of Texans’ health. Nearly two-thirds (64.1 percent) of the state’s population is overweight or obese.

And obesity is on the rise. In 2005, there were nearly 3 million more obese adults in Texas than in 1990. Only 12.3 percent of Texas adults were obese in 1990; by 2005, that share had more than doubled, to 27.0 percent, well above the national average of 24.4 percent.

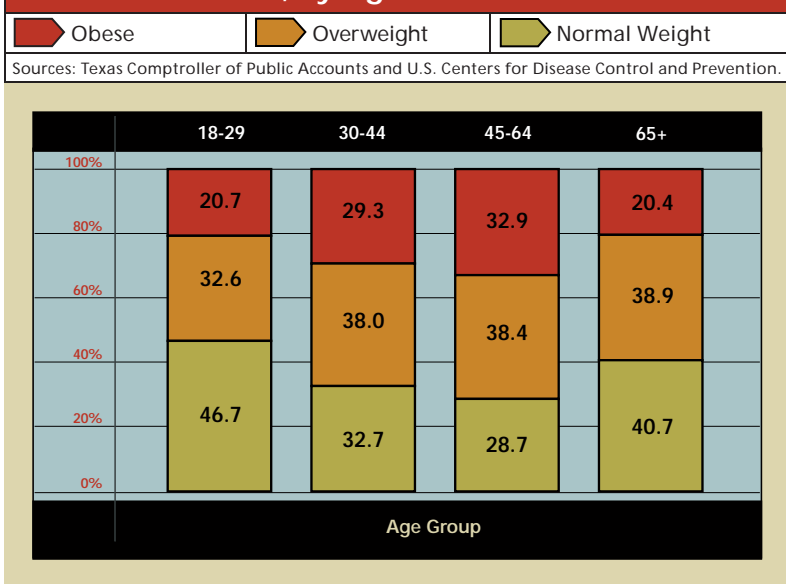
Obesity cost Texas businesses an estimated \$3.3 billion in 2005. This figure includes the cost of health care, absenteeism, decreased productivity and disability.

Being overweight or obese increases one’s risk of acquiring costly chronic illnesses such as diabetes, heart disease, hypertension, stroke, osteoarthritis, gallbladder disease, asthma, sleep apnea and certain cancers. These diseases cost employers – directly in higher health care costs and indirectly through lost productivity when workers are out sick, disabled or simply not functioning up to standard.

Most of the cost of private health insurance is borne by America’s employers. Since 2001, their health insurance premiums have risen by an average of 68.2 percent. The national epidemic of obesity is a major factor in rising health care costs and skyrocketing health insurance premiums.

Sadly, the epidemic begins at an early age. In a Texas-specific study conducted from 2004 to 2005, researchers found that 42 percent of fourth graders were overweight or at-risk of overweight, as were 39 percent of eighth graders and 36 percent of eleventh graders. By 2025, many of these overweight children will be

**Percent of Normal Weight, Overweight and Obese Texans, by Age 2005**



“Obesity has roughly the same association with chronic health conditions as does twenty years’ aging; this greatly exceeds the associations of smoking or problem drinking.”

Roland Sturm, Senior Economist, RAND Corporation, 2002



Today's children are...



...tomorrow's work force.



entering the work force as overweight or obese adults, at a considerable cost to their employers. If the prevalence of obesity continues rising at the current pace, *obesity could cost Texas businesses \$15.8 billion annually by 2025.*

### Demographics

In 2005, more than half (53.3 percent) of Texans aged 18 to 29 were overweight or obese. Those aged 30 to 44 were much more likely to be overweight or obese, with a prevalence of 67.3 percent. Those 45 to 64 were heavier still; 71.3 percent were overweight or obese.

Texas ranked tenth among states in its share of overweight or obese adults.

In 2005, white Texans were healthiest, and still 60.1 percent were overweight or obese.

Seventy-one percent of Hispanics were overweight or obese. Blacks were most likely to be overweight or obese, with 75.7 percent falling into one category or the other.

The more educated you are, the less likely you are to be overweight or obese. In 2005, 67.8 percent of adult Texans with no high school diploma were overweight or obese, versus 59.9 percent of college graduates.

Men are more likely to be overweight or obese than women, with 72.4 percent of adult Texas males either overweight or obese in 2005, compared to 55.6 percent of adult Texas females.

### Costs

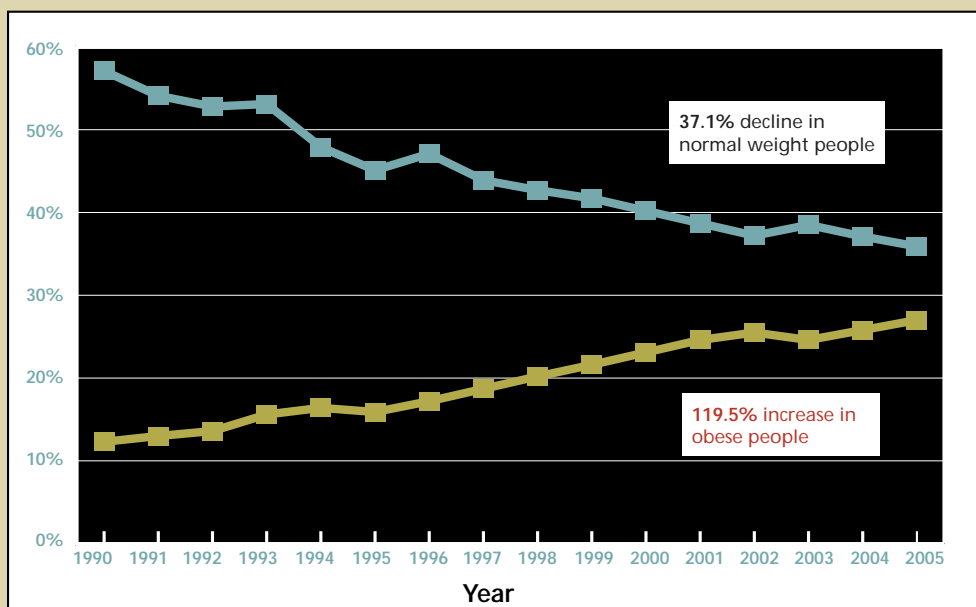
During the past 15 years, the share of adult Texans at a normal weight declined rapidly, while the percentage of obese Texans

### Obesity Prevalence Trends in Texas 1990 to 2005

Obese

Normal Weight

Sources: Texas Comptroller of Public Accounts and U.S. Centers for Disease Control and Prevention.



“At least 50 percent of health care expenditures are lifestyle related and therefore are potentially preventable.”

Dr. Eduardo Sanchez, Director of the Institute for Health Policy at The University of Texas School of Public Health

increased. From 1990 to 2005, the percentage of obese adult Texans rose from 12.3 to 27.0 percent. The percentage of normal weight adult Texans plummeted from 57.1 to 35.9 percent.

The Comptroller estimates that costs to Texas businesses due to adult obesity and obesity-related illnesses totaled more than \$3.3 billion in 2005, and these costs are growing. Health care expenditures and decreased productivity at work (called “presenteeism”) accounted for most of these costs.

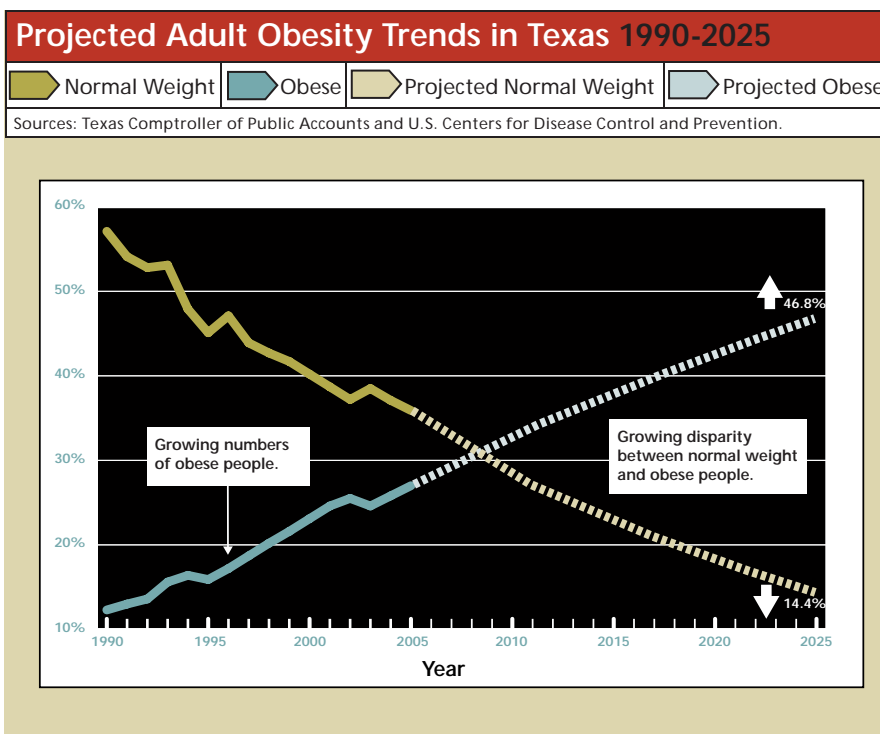
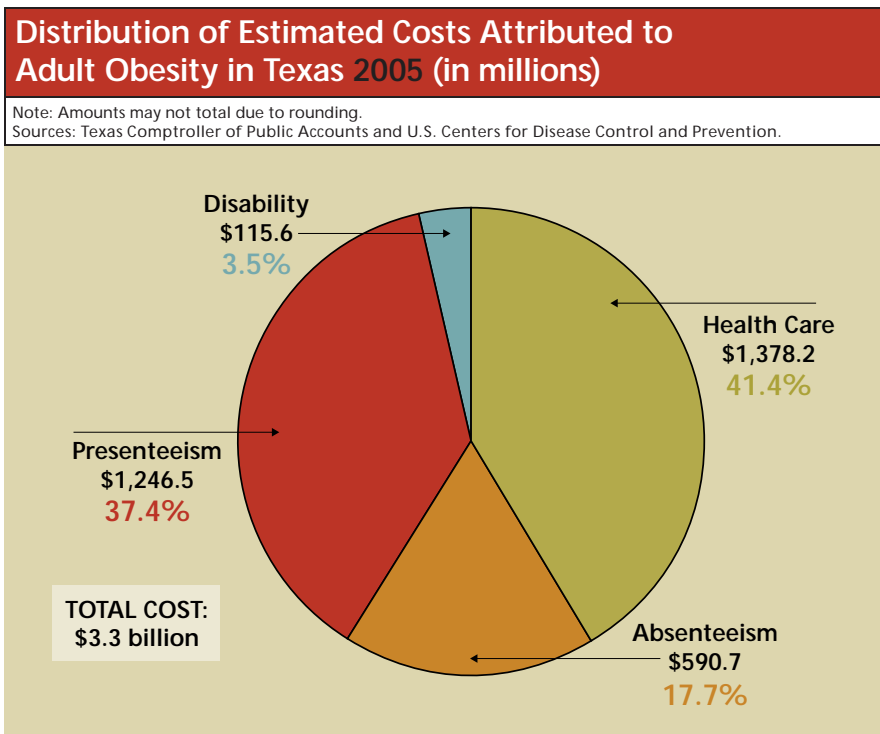
Businesses feel a disproportionate effect of the rising costs of health insurance due to obesity because most Texas adults with private insurance (88.5 percent) receive coverage from their employers. Furthermore, Texas businesses are likely hit harder than those in other states due to the higher prevalence of obesity in Texas. The share of Texas adults who were obese in 2005, 27.0 percent, was higher than the U.S. average of 24.4 percent.

As health care spending increases due in part to obesity, so does the cost to businesses and their employers, in the form of higher health insurance premiums and out-of-pocket expenses. In 2005, employers carried 74.4 percent of the total cost of private health insurance in the U.S., with the remainder being paid by employees. Additionally, the cost of health insurance is rising faster than both inflation and wages. From 2001 – 2004, average health insurance premiums (based on a family of four) increased at double-digit rates.

### Future Costs

If the current prevalence trends of obesity continue unchecked, by the year 2025, the Comptroller estimates that 48.6 percent of Texas adults will be obese and only 14.4 percent will be of normal weight.

Projecting the costs of obesity out to 2025, and accounting for the increase in the



"Obesity is the terror within. Unless we do something about it, the magnitude of the dilemma will dwarf 9-11 or any other terrorist attempt."

Dr. Richard Carmona, former U.S. Surgeon General, 2006

prevalence of obesity and the increase in the working population, obesity and obesity-related illnesses could cost Texas businesses \$15.8 billion annually by 2025.

Health care costs will comprise more than 55 percent of the total cost, at \$8.8 billion; absenteeism will account for \$2.1 billion; presenteeism will account for \$4.5 billion; and disability will account for \$420 million.

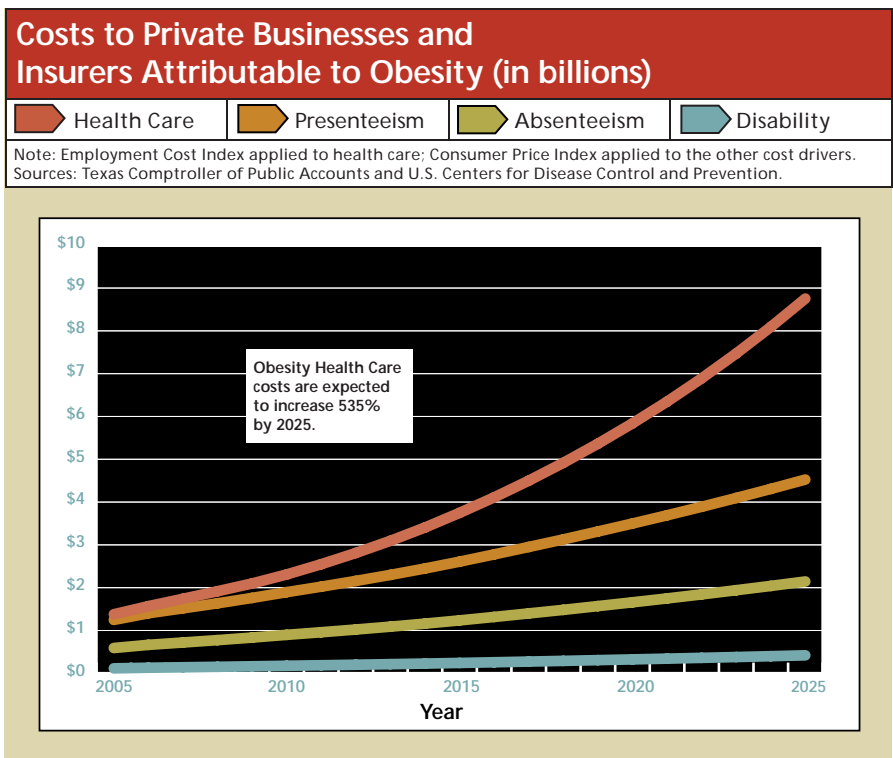
### Working for Wellness

The 2007 Texas Legislature has taken some steps to improve the lives of tomorrow's work force by introducing legislation aimed at instituting more physical education in public schools. Almost all school districts have removed unhealthy foods with minimal nutritional value from cafeterias and many districts are removing them from vending machines as well.

And many Texas companies are shifting their health care focus from disease treatment to prevention, in an effort to reduce future health care costs for preventable diseases.

The most successful of these programs offer financial incentives to employees, such as lower health insurance deductibles or company-paid gym fees, as well as other programs designed to encourage employees to choose healthy lifestyles. Most such programs take from three to five years to show a return on investment, but those returns can be significant when they materialize.

But to stem the tide of the obesity epidemic, all stakeholders—employers, parents, schools, medical community and government—must work together, to do whatever they can to both reduce the number of Texans who are obese and to prevent healthy and overweight people from becoming obese. In the end, we must become a society focused on prevent-



ing obesity, rather than treating the diseases it causes.

Ultimately, of course, only the individual can be held accountable for the lifestyle choices he or she makes. But employers can promote wellness and provide their workers with incentives, knowledge and opportunities to make healthy choices in life.

"Employers are not *choosing* to become involved in waging the war on obesity—they are *already* involved. Employers today are paying a high price in health care costs, lost productivity and absenteeism due to disability and even death connected to obesity." —

LuAnn Heinen, Director, Institute on the Costs and Health Effects of Obesity, National Business Group on Health (2005).

More information can be found on the Comptroller's Web site, [www.window.state.tx.us/specialrpt/obesitycost/](http://www.window.state.tx.us/specialrpt/obesitycost/)

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