A Forrester Total Economic Impact™
Study Commissioned By ADURO
September 2017

The Total Economic Impact™ Of ADURO

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ABOUT FORRESTER CONSULTING

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Benefits And Costs

Reduced cost of medical and prescription claims:
$5,123,291

Reduced cost to administer well-being programs:
$2,060,108

ADURO license costs:
$791,416

Executive Summary

ADURO is a solution that maximizes human performance for organizations by functioning as a hub for employees to utilize benefits, lifestyle fundamentals, personal performance, and interventions for intense change. ADURO provides a foundation for well-being programs and is focused on the 80% of the population who are healthy — and trying to stay that way.

ADURO commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) that enterprises may realize from using ADURO. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of ADURO on their organizations.

To better understand the benefits, costs, and risks associated with ADURO, Forrester interviewed two organizations with experience using the ADURO solution. The companies are from healthcare and document management industries. Each company is running well-being programs to help create awareness and improve the physical, mental, financial, and social health of employees.

Prior to using ADURO, the organizations ran benefits and well-being programs but lacked the ability to centrally manage, coordinate, and communicate with employees. Financially, the companies had healthcare costs that repeatedly benchmarked above industry peers and were rising rapidly (i.e., above industry average).

After adopting ADURO, the companies successfully engaged employees in biometric screening, well-being assessment, increased awareness of healthfulness, expert coaching, and incentivized positive behavioral changes. As a result, these companies significantly reduced their healthcare costs. The director at a healthcare provider told Forrester: “Our message to employees is that to be effective caregivers, ‘We need you to be healthy so that you can provide better care and support to our patients in their time of need.’” And another director added: “What is ADURO’s role in our overarching health strategy? It’s invaluable! It is truly foundational for what we do. It’s the launching point.”

Key Findings

Quantified benefits. The following risk-adjusted quantified present value (PV) benefits are representative of those experienced by the companies interviewed:

- **Increased employee retention valued at $4,439,031.** Employees felt engaged and valued by employers, in part due to well-being programs. A reduction in turnover of 0.5% scaled down the need to recruit and train 50 employees per year.
- **Reduced growth in the cost of medical claims by 4% per year and savings of $3,793,620.** The two organizations reduced the annual increase in medical claims. They originally expected costs to increase 6% per year, but after launching the well-being program centered on ADURO, the actual increases dropped to 2% per year, even while peer companies continued to increase at the original level.
- **Reduced growth in the cost of prescription claims by 5% per year and savings of $1,329,671.** Similar to medical claims, the organizations reduced the annual increase in prescription claims from an expected cost increase of 7% per year to 3% per year.

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ROI
182%

Benefits PV
$12.8 million

NPV
$8.3 million

Payback
<6 months

- **Reduced cost of well-being program administration by $2,060,108.** The productivity of program administrators increased by 30%, which avoided the need to hire as rapidly. The companies also avoided the need to continue paying for other tools that provided functionality that was replaced by ADURO's flexible platform and nimble company culture.
- **Reduced employee absenteeism for a savings of $1,217,563.** The organizations reduced absent employees for doctor appointments and sick days by an average of 0.5 days per employee per year. The organizations attributed 25% of this shift to the well-being program.

Unquantified benefits. The interviewed organizations experienced the following benefits, which are not quantified for this study:

- **Engaged employees and improved awareness of existing employee benefits.** ADURO made employees more aware of benefits, which in turn increased their adoption/utilization of benefits and improved the average employee satisfaction with the employer. Ninety-two percent of one company's eligible participants discovered safety training through ADURO, which led to fewer worker compensation filings.
- **Improved awareness of personal health among employees.** Many long-term employees were unaware of their health or how it compared to averages. Merely creating the awareness through biometric testing became a motivating factor for employees to set personal goals and seek improvement. The two companies experience a 75% and 93% engagement rate.
- **Managed risk for those on the path to poor health.** Through targeted content and specialized intervention programs, cohorts of employees participated in disease prevention programs. One company saw a 4.4% net improvement in metabolic syndrome from 2014 to 2016.
- **Provided health coaching.** Coaching services, combined with special programs such as mindful eating, attracted more than 13% of employees and resulted in a 38% reversal in employees with metabolic syndrome.

Costs. The interviewed organizations experienced the following risk-adjusted PV costs:

- **Cost of ADURO platform of $791,416.** This represents the total cost for 10,000 employees and 3,000 spouses for the ADURO platform over three years.
- **Costs of screening and coaching of $1,285,702.** Each organization paid for biometric screenings, lab tests, and coaching programs to help redirect employee behaviors.
- **Cost of program incentives of $2,469,898.** The interviewed companies included significant incentives as part of their programs.

Forrester's interviews with two existing customers and subsequent financial analysis found that an organization based on these interviewed organizations experienced benefits of $12.8 million over three years versus costs of $4.5 million, adding up to a net present value (NPV) of $8.3 million and an ROI of 182%.

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The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TEI Framework And Methodology

From the information provided in the interviews, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing ADURO.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that ADURO can have on an organization:

DUE DILIGENCE
Interviewed ADURO stakeholders and Forrester analysts to gather data relative to customer objectives.

CUSTOMER INTERVIEWS
Interviewed two organizations using ADURO to obtain data with respect to costs, benefits, and risks.

COMPOSITE ORGANIZATION
Designed a composite organization based on characteristics of the interviewed organizations.

FINANCIAL MODEL FRAMEWORK
Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewed organizations.

CASE STUDY
Employed four fundamental elements of TEI in modeling ADURO's impact: benefits, costs, flexibility, and risks. Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

The ADURO Customer Journey

BEFORE AND AFTER THE ADURO INVESTMENT

Interviewed Organizations

For this study, Forrester conducted two interviews with ADURO customers. Interviewed customers include the following:

INDUSTRY	INTERVIEWEE	NUMBER OF EMPLOYEES	ENGAGEMENT RATE
Healthcare	Director of employee benefits	32,000 employees 6,000 spouses	75% participation followed by 80% conversion (employees that completed all steps to receive full incentive package)
Document management	Director of benefits strategy	8,800 employees (in North America) 3,000 spouses	93% participation

Key Challenges

Before working with ADURO, the two organizations shared the following challenges that incurred high costs or impeded the success of their well-being programs:

- **Employees unaware of the state of their health.** One director told Forrester, "Our company had dabbled in wellness through a third-party plan administrator, but we still had a lot of people who'd been with us for a long time that didn't even have a basic awareness of the state of their health."
- **A high number of healthcare programs.** Because of disparate geographic operations and local unions, the healthcare organization ran a total of 24 unique healthcare programs. ADURO provided a simplified (and ultimately common) design that helped the organization consolidate into six programs.
- **Excessive fees for employee healthcare claims.** One organization told Forrester that it conducted third-party benchmarks. The results were that their cost per employee was higher than every other company in the study. It took this kind of market assessment to get management attention and get the resources to drive change.
- **Incorrect understanding and behavior choices by employees.** One director said: "Employees had a very limited use of urgent care because my predecessors thought it was just one step from the emergency room. Part of this was because the deductible for urgent care was $100 and for the ER was $150. We ran a campaign to educate people that the ER costs seven times urgent care — that moved the needle very quickly."
- **Significant increases in prescription medications.** Over just three years, prescription medications increased from 20% of the total claims to over 40%. Working closely with employees and medical programs, especially to control the need for specialty prescriptions, significantly reduced this expense.

"We went live [with a well-being program] and started doing a lot of things in the first couple years. Moving the needle requires doing a lot of things. Many HR teams have too small of a staff or try to run just a few campaigns before getting frustrated by the lack of results."

Director of benefits strategy, document management firm

Solution Requirements

After an extensive RFP and business case process evaluating multiple vendors, the interviewed organizations chose ADURO. Their insights below explain why:

- One director said: "We looked at 22 vendors, and ADURO came out on top. One of the things is their flexibility and nimbleness. The fact that they could present six different plan designs with an almost identical design was critical for us. Most other vendors couldn't handle that level of variation."
- "A second benefit is our screenings. As a healthcare system, we have the ability to process blood draws and similar medical procedures. ADURO was willing to do the biometric screenings and let our staff do the labs."
- "Beyond our core incentives program, we have a sweepstakes phase. Once employees complete the core, they can enter for bigger prices such as travel vouchers, electronics, and similar items. ADURO allows us to do this kind of program."

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>
> *Director of employee benefits, healthcare organization*

Key Results

The interviews revealed that key results from the ADURO investment include:

- **Engaged significant percentages of employees immediately.** The two organizations averaged an employee engagement rate of 84%. One experienced a rate of 93% in the first year. The other organization realized an 80% conversion rate of employees that completed the necessary tasks to receive employer incentives.
- **Benchmarked as paying less per employee than peers.** After several years of running a program with ADURO at the core, one organization conducted third-party benchmarks and found that it spent less than peers, less than large employers, and less than others with a similar employee base. The director said, "Healthcare costs in our industry are increasing 5% to 6% per year, but our increases for several years have ranged from 2% to 2.5% percent."
- **Integrated screening results into electronic medical records.** The healthcare organization also doubled as the primary care provider for its employees. ADURO worked with the organization to integrate biometric data into health records, which gave doctors additional insight into the care of employees.
- **Moved upstream with a value-based care model.** One director said, "We are putting a lot more focus to things like ambulatory care and focusing on changes such as someone recently being diagnosed as diabetic, to actively manage their needs, and avoid the downstream costs that are much, much higher."
- **Provided health coaching.** Coaching services combined with special programs such as mindful eating attracted more than 13% of employees and resulted in a 38% reversal in employees with metabolic syndrome.

> "What is ADURO's role in our overarching health strategy? It's invaluable! It is truly foundational for what we do. It's the launching point."
>
> *Director of benefits strategy, document management firm*

> "Our message to employees is that to be effective caregivers, 'We need you to be healthy so that you can provide better care and support to our patients in their time of need.'"
>
> *Director of employee benefits, healthcare organization*

Composite Organization

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an associated ROI analysis that illustrates the areas financially affected. The composite organization is representative of the two companies that Forrester interviewed and is used to present the aggregate financial analysis in the next section. The composite organization that Forrester synthesized from the customer interviews has the following characteristics:

- Has 10,000 employees with an 85% engagement rate. The organization also has 3,000 spouses who participate in the program.
- Spent $8,500 per employee per year on medical and prescription claims before the adoption of ADURO.
- An average of 80% of employees who participated in biometric testing completed the additional steps to receive the full package of incentives.
- Employs coaching and behavior programs for employees (e.g., stress management, mindful eating, and addiction management).

Key assumptions

- 10,000 employees

- 3,000 spouses

- 85% engagement rate

Financial Analysis

QUANTIFIED BENEFIT AND COST DATA AS APPLIED TO THE COMPOSITE

Total Benefits

REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Increased employee retention	$1,785,000	$1,785,000	$1,785,000	$5,355,000	$4,439,031
Btr	Reduced growth in the cost of medical claims	$748,800	$1,557,504	$2,430,006	$4,736,310	$3,793,620
Ctr	Reduced growth in the cost of prescription claims	$259,200	$544,320	$857,408	$1,660,928	$1,329,671
Dtr	Reduced cost of well-being program administration	$828,400	$828,400	$828,400	$2,485,200	$2,060,108
Etr	Reduced employee absenteeism	$489,600	$489,600	$489,600	$1,468,800	$1,217,563
	Total benefits (risk-adjusted)	$4,111,000	$5,204,824	$6,390,413	$15,706,237	$12,839,992

Benefit 1: Increased Employee Retention

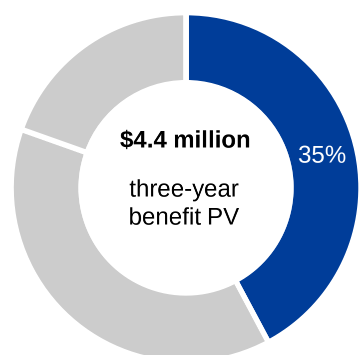
The organizations that Forrester interviewed found that employees were more engaged and remained with the company longer. The executives noted during the interviews that:

- Measuring employee retention is complicated. Executives are continually working on a variety of programs to improve employee engagement, develop company culture, and improve the overall employee experience.
- On average, the organizations attributed 0.5% of reduced turnover to the well-being program due to employees being increasingly engaged and aware that their employers were interested in their personal welfare.

The average cost to hire and train new employees amounts to 35% of a person's annual salary. Using a total burdened salary of $120,000 and an organization with 10,000 employees, the annual cost savings was nearly $1.8 million.

Because the ability to measure retention varied across interviewed organizations and to account for the uncertainty in attribution, Forrester risk-adjusted this benefit downward by 15%, resulting in a final benefit of $4,439,031.

The table above shows the total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total benefits to be a PV of nearly $12.8 million.



Increased employee retention was 35% of the total benefits.

Increased Employee Retention: Calculation Table					
REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
A1	Number of employees		10,000	10,000	10,000
A2	Decreased turnover attributed to well-being programs	From interviews	0.5%	0.5%	0.5%
A3	Equivalent employees per year	A1*A2	50	50	50
A4	Average burdened salary		$120,000	$120,000	$120,000
A5	Cost to recruit and train each employee (35% of annual salary)	A4*35%	$42,000	$42,000	$42,000
At	Increased employee retention	A3*A5	$2,100,000	$2,100,000	$2,100,000
	Risk adjustment	↓15%			
Atr	Increased employee retention (risk-adjusted)		$1,785,000	$1,785,000	$1,785,000

Benefit 2: Reduced Growth In The Cost Of Medical Claims

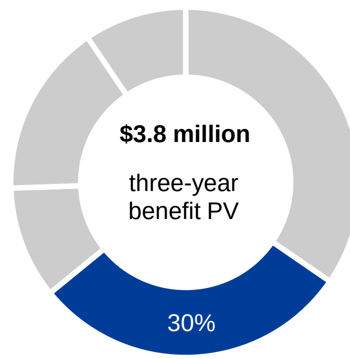
The composite organization experienced a reduction in the level of medical claims from employees. Specifically:

- Before using ADURO as a hub to centrally manage programs and information, the organization experienced an average increase in claims of 6% per year.
- After implementing ADURO, engaging employees in well-being programs, and consolidating benefits plans, the average annual increase in claims fell to 2%.

While both interviewed executives indicated that ADURO was a pivotal tool for their transition, some of the benefit must be attributed to well-being programs generally. As such, Forrester attributes 40% of this benefit specifically to the organization’s use of ADURO to catalyze and facilitate program success.

With 10,000 employees and a cost of $5,200 per year, the organization initially paid claims that totaled $52 million. For each of the three years in Forrester’s financial model, the expected outlay grew at 6% and the actual cost grew at 2%, resulting in a total PV savings over three years of more than $2.1 million.

The two organizations that Forrester interviewed both experienced a similar shift downward in annual costs, but both were also self-insured for healthcare claims. To account for the variation that readers are likely to experience in their own companies, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of just over $2 million.



The reduced cost of medical claims comprised 30% of the total benefits.

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Reduced Growth In The Cost Of Medical Claims: Calculation Table					
REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
B1	Projected cost of claims	Initially $52 million; 6% growth	$55,120,000	$58,427,200	$61,932,832
B2	Actual cost based on lower growth of claims due to well-being program	Initially $52 million; 2% growth	$53,040,000	$54,100,800	$55,182,816
B3	Percent attributed to using ADURO		40%	40%	40%
Bt	Reduced growth in the cost of medical claims	(B1-B2)*B3	$832,000	$1,730,560	$2,700,006
	Risk adjustment	↓10%			
Btr	Reduced growth in the cost of medical claims (risk-adjusted)		$748,800	$1,557,504	$2,430,006

Benefit 3: Reduced Growth In The Cost Of Prescription Claims

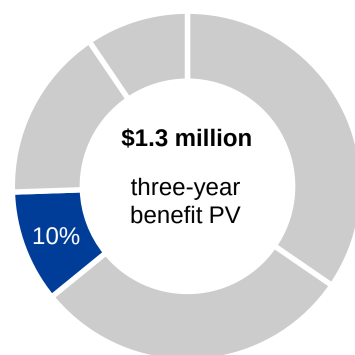
Similar to the reduced cost in medical claims, the composite organization also experienced a reduction in the growth of prescription claims from employees. Specifically:

- Before using ADURO, the organization experienced an average increase in prescription claims of 7% per year.
- Following the implementation of ADURO, the average annual increase in claims fell to 3%.

The executives interviewed said that employee education programs about the merit of generic prescriptions were critical in reducing costs and to avoiding prescriptions entirely (e.g., reducing metabolic syndrome helps employees avoids chronic illnesses such as high blood pressure or diabetes and the related prescriptions). As such, Forrester attributes 60% of this benefit specifically to the organization's use of ADURO to catalyze and facilitate program success.

With 10,000 employees and a cost of $1,200 per year, the organization initially paid claims that totaled $12 million. For each of the three years in Forrester's financial model, the expected outlay grew at 7% and the actual cost grew at 3%, resulting in a total PV savings over three years of more than $567,929.

Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of $511,136.



The reduced cost of prescription claims comprised 5% of the total benefits.

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Reduced Growth In The Cost Of Prescription Claims: Calculation Table					
REF.	**METRIC**	**CALC.**	**YEAR 1**	**YEAR 2**	**YEAR 3**
C1	Projected cost of claims	Initially $12 million; 7% growth	$12,840,000	$13,738,800	$14,700,516
C2	Actual cost based on lower growth of claims due to well-being program	Initially $12 million; 3% growth	$12,360,000	$12,730,800	$13,112,724
C3	Percent attributed to using ADURO		60%	60%	60%
Ct	Reduced growth in the cost of prescription claims	(C1-C2)*C3	$288,000	$604,800	$952,675
	Risk adjustment	↓10%			
Ctr	Reduced growth in the cost of prescription claims (risk-adjusted)		$259,200	$544,320	$857,408

Benefit 4: Reduced Cost Of Well-Being Program Administration

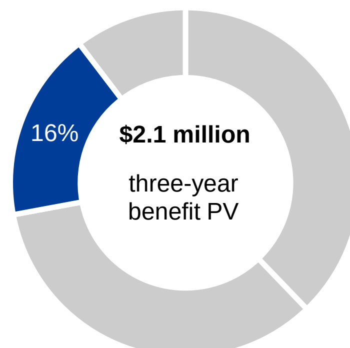
The composite organization reduced the cost of administering well-being programs (and benefits generally) by using ADURO. The organization:

- Consolidated disparate benefits plans using ADURO as a hub to:
  - Help educate employees about benefit choices.
  - Guide good decisions in healthcare choices (e.g., choose urgent care over emergency room, when appropriate).
- Reduced the workload of answering employee questions for program admins.
- Eliminated the need for other tools being used. Previously, the organization had used a number of other tools that had less functionality; these were replaced by a single agreement with ADURO.

In total, the organization experienced reduced costs:

- The organization increased the productivity of program administrators by 30%. Whereas the organization had expected to hire additional staff, ADURO simplified functions and allowed the current team to handle more program functions for an annual savings of $72,000.
- The avoided cost of previous tools whose functionality was subsumed into ADURO was $800,000 per year.
- The total savings from these two resulted in a PV over three years of nearly $2.2 million.

The results between the two interviewed companies was consistent in savings due the improvements in program administration. As such, Forrester adjusted this benefit downward by 5%, yielding a three-year risk-adjusted total PV of almost $2.1 million.



The reduced cost of administering well-being programs was 16% of the total savings.

Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.

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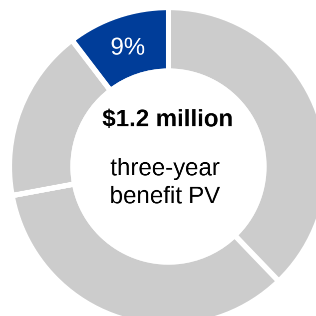
Reduced Cost Of Well-Being Program Administration: Calculation Table					
REF.	**METRIC**	**CALC.**	**YEAR 1**	**YEAR 2**	**YEAR 3**
D1	Number of employees managing programs		2	2	2
D2	Increased productivity of teams managing well-being programs		30%	30%	30%
D3	Average burdened salary		$120,000	$120,000	$120,000
D4	Avoided cost in paying for additional tools with duplication functionality as ADURO		$800,000	$800,000	$800,000
Dt	Reduced cost of well-being program administration	(D1*D2*D3)+D4	$872,000	$872,000	$872,000
	Risk adjustment	↓5%			
Dtr	Reduced cost of well-being program administration (risk-adjusted)		$828,400	$828,400	$828,400

Benefit 5: Reduced Employee Absenteeism

As the general health of employees improved, days away from work decreased. The reduced level of absenteeism was significant for individuals who avoided developing major medical issues, such as diabetes. Specifically:

- A total of 10,000 employees saved an average of 0.5 days per year as they missed less work for sickness or doctor appointments.
- The savings was equivalent to 5,000 days of work or 19.2 full-time employees (FTEs).
- The companies conducted multiple programs to reduce absenteeism, and they attributed 25% of the impact to their well-being program.
- The impact each year totaled $489,600.

Forrester risk-adjusted this benefit downward by 15% to account for variations between companies, yielding a three-year total of more than $1.2 million.



Reduced employee absenteeism contributed 9% of the total benefits.

Reduced Employee Absenteeism: Calculation Table					
REF.	**METRIC**	**CALC.**	**YEAR 1**	**YEAR 2**	**YEAR 3**
E1	Number of employees		10,000	10,000	10,000
E2	Reduced absenteeism in FTEs/year (0.5 days per employee per year)	(0.5 days) /260	19.2	19.2	19.2
E3	Average burdened salary		$120,000	$120,000	$120,000
Et	Reduced employee absenteeism	E2*E3	$576,000	$576,000	$576,000
	Risk adjustment	↓15%			
Etr	Reduced employee absenteeism (risk-adjusted)		$489,600	$489,600	$489,600

Unquantified Benefits

These are the benefits that the interviewed organizations shared without supporting financial data or that provided intangible value to their company.

- **Engaged employees and improved awareness of existing employee benefits.** ADURO made employees more aware of benefits, which in turn improved their adoption/utilization of benefits and improved the average employee satisfaction with their employer. In the words of one director, “ADURO can take all this data that sits in a lot of places, aggregate it, make sense of it, and then have, generally, a website, but primarily a smartphone app, and they can do push notifications to people in how people navigate the benefits that are offered, direct them on best use of the healthcare system, or if they aren’t signing up for a certain benefit that they should, they can do that.”
- **Improved awareness of personal health among employees.** Many long-term employees were unaware of their health or how it compared to averages. Merely creating the awareness through biometric testing became a motivating factor for employees to set personal goals and seek improvement. The two companies experienced a 75% and 93% engagement rate. It is important to note that engagement appears directly connected to the level and type of incentives offered.
- **Insight into the health implications of management messages.** In one company, a series of “high pressure” messages from management to employees created a distinct and measurable spike in stress-related claims. One director told Forrester: “We had the data to show a spike in mental health metrics, such as emergency room claims for substance abuse and counseling for alcoholism.”

Total Costs

REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Ftr	Cost of ADURO platform	$0	$318,240	$318,240	$318,240	$954,720	$791,416
Gtr	Cost of screening and coaching	$0	$517,000	$517,000	$517,000	$1,551,000	$1,285,702
Htr	Cost of program incentives	$0	$993,182	$993,182	$993,182	$2,979,547	$2,469,898
	Total costs (risk-adjusted)	$0	$1,828,422	$1,828,422	$1,828,422	$5,485,267	$4,547,016

Cost 1: Cost Of ADURO Platform

The organizations told Forrester that they paid ADURO $28.80 per employee and $10.08 per spouse. Using a baseline of 10,000 employees and 3,000 participating spouses, the total PV cost over three years was $791,416. Forrester did not risk-adjust this cost.

The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total costs to be a PV of more than $4.5 million.

Cost Of ADURO Platform: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
F1	Number of employees			10,000	10,000	10,000
F2	Cost per employee per year			$28.80	$28.80	$28.80
F3	Number of participating spouses			3,000	3,000	3,000
F4	Cost per spouse per year			$10.08	$10.08	$10.08
Ft	Cost of ADURO platform	(F1*F2) +(F3*F4)		$318,240	$318,240	$318,240
	Risk adjustment	↑0%				
Ftr	Cost of ADURO platform (risk-adjusted)			$318,240	$318,240	$318,240

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Cost 2: Cost Of Screening And Coaching

The composite organization incurred costs for biometric screening and subsequent labs. Successful programs also included forms of coaching to help employees make behavior changes. Specific programs were successful at:

- Improving mental health, especially for stress management.
- Reducing metabolic syndrome through programs such as mindful eating.
- Helping with addiction to tobacco, alcohol, and other substances or behaviors.

The total PV cost over three years was just over $1.1 million. Forrester adjusted this cost upward by 10% to account for variation in how companies deploy screening and coaching, yielding a three-year risk-adjusted total PV of more than $1.2 million.

Implementation risk is the risk that a proposed investment may deviate from the original or expected requirements, resulting in higher costs than anticipated. The greater the uncertainty, the wider the potential range of outcomes for cost estimates.

Cost Of Screening And Coaching: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
G1	Cost for biometric screenings	(F1+F3)*$30		$390,000	$390,000	$390,000
G2	Cost for onsite coach			$80,000	$80,000	$80,000
Gt	Cost of screening and coaching	G1+G2		$470,000	$470,000	$470,000
	Risk adjustment	↑10%				
Gtr	Cost of screening and coaching (risk-adjusted)			$517,000	$517,000	$517,000

Cost 3: Cost Of Program Incentives

The organization spends a significant amount providing incentives that encourage employees to participate. Those incentives:

- Encourage baseline participation in biometric screening.
- Create a series of follow-up steps that guide employee behavior throughout the year rather than being a “one-off” event.
- Include sweepstakes at one organization where employees have a chance to win some awards worth up to $25,000.
- Follow a “carrot and stick” approach. Even though the incentives are voluntary, both organizations indicated that they pushed as aggressively as employers are legally allowed.

The total spending on incentives averages more than the cost to administer the program itself. In the financial model, Forrester calculated the incentive cost as 120% of the program costs in the previous two cost areas, resulting in a total cost over three years of more than $2.8 million. Because the actual incentive investment will vary between companies, Forrester adjusted this cost upward by 5%, yielding a three-year risk-adjusted total PV of nearly $2.5 million.

Incentives

“Our incentives are often called ‘carrot and stick.’ We call them incentives, but we push employees as far as we are legally allowed.”

Director of benefits, document management

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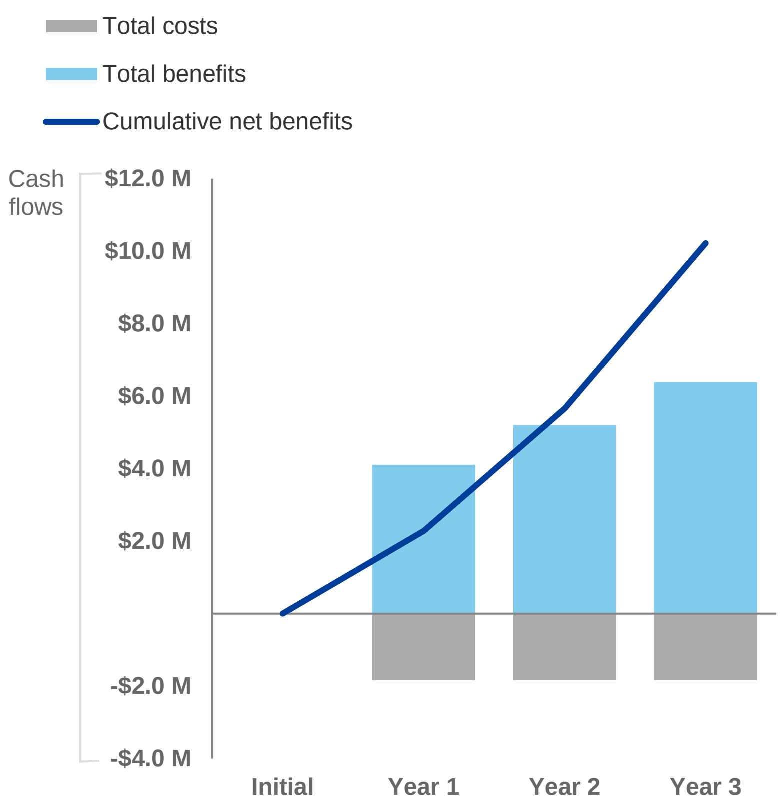
Cost Of Program Incentives: Calculation Table						
REF.	**METRIC**	**CALC.**	**INITIAL**	**YEAR 1**	**YEAR 2**	**YEAR 3**
H1	Cost of program incentives	(Ft+Gt)*120%		$945,888	$945,888	$945,888
Ht	Cost of program incentives	=H1		$945,888	$945,888	$945,888
	Risk adjustment	↑5%				
Htr	Cost of program incentives (risk-adjusted)			$993,182	$993,182	$993,182

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Table (Risk-Adjusted)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	$0	($1,828,422)	($1,828,422)	($1,828,422)	($5,485,267)	($4,547,016)
Total benefits	$0	$4,111,000	$5,204,824	$6,390,413	$15,706,237	$12,839,992
Net benefits	$0	$2,282,578	$3,376,402	$4,561,991	$10,220,970	$8,292,976
ROI						182%
Payback period						<6 months

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ADURO: Overview

The following information is provided by ADURO. Forrester has not validated any claims and does not endorse ADURO or its offerings.

ADURO, Inc., (Latin for “ignite”) is the Human Performance company empowering individuals and organizations to thrive. Our habit-changing programs are designed to fit your company culture, while starting with each individual’s personal journey. One habit at a time, we help people discover their own path toward a healthy, high-performing life. Those changes transform interests into outcomes, deepening engagement and invigorating your company culture.

In the past decade, we’ve served hundreds of high-growth organizations and changed more than 1 million lives.

Because when you have the ability to Be Great At Anything™, the possibilities are endless.

Learn more at www.adurolife.com.

Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that **enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.**

Total Economic Impact Approach

Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.

PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.

NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.

RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.

DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.

PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.