Wellness Programs 101

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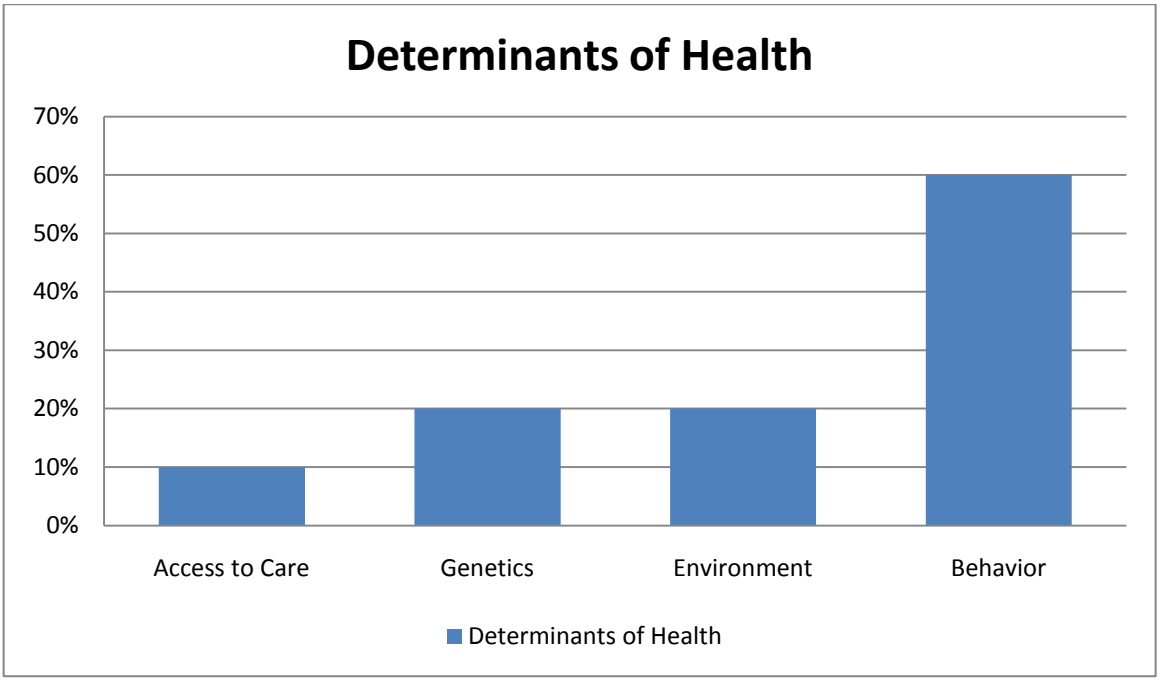
Any strategy to motivate wellness behavior changes must include two elements- education and incentives. Employers have been providing education and decision support tools for many years. Incentive strategies have been slower to develop since they seem like additional costs with an uncertain return.

Employers are finding that motivating employees to make better health and health care choices is complicated. However, the need for behavior change to improve health is well established. The Centers for Disease Control studies show that 50 percent of health status is determined by personal behaviors.



*Source IFTF: Centers of Disease Control and Prevention

Providing Wellness incentives is about helping people to get healthy or stay healthy. Done properly, incentives can significantly lower health care costs. Individual employees get healthier and the employer gains a healthier, more productive workforce. This whitepaper provides a high-level overview of the benefits of wellness incentives and insights into implementing effective successful incentive strategies.

The Benefits of Wellness Incentives

The evidence showing the value of incentives is mounting. Incentives seem to be the missing link to greater voluntary participation, healthier habits, and lower costs. A 2009 study by Health2Resources stated that almost two-thirds of U.S. companies offer programs to keep employees healthy. And 66 percent offering programs use incentives, with many companies showing a return on investment (ROI) greater than $1 for each dollar spent.

A key finding in their study was that the value of incentives is up, averaging $329 in 2009. Amounts range from $1 per pound for weight loss to $1,500 annual premium reductions. The most common incentive is health premium reduction, followed by merchandise, tokens, and gift cards.

Incentives have been evolving from participation based to results based. A 2010 survey by Towers Watson found that 42 percent of large firms will require employees to complete health coaching or a disease management program in order to earn a financial incentive in 2011. In addition 17 percent of these employers said they either had in place or were considering plans in which employees' health status would have to improve or be maintained. That is, they would have to meet established targets for body mass index (BMI), blood pressure (BP), or cholesterol levels, or show improvement towards specific goals to earn their reward.

Self reported data has proven to be too inaccurate. Information from medical professionals and lab tests are developing as the standard. In 2011, 40 percent of employers will be offering incentives based on biometrics, which can include tested results for blood pressure, blood sugar, cholesterol, BMI, AIC levels, and waist size.

These approaches to health care consumerism focus on empowering individuals with information and a financial stake in their own health and health care. A key feature of health care consumerism is providing individuals with a financial reward for doing the right activities to improve their health. With the expansion of successful incentive strategies, member participation is dramatically higher and results are much improved.

Wellness Incentive Options

Incentives can take on many forms. The chart below describes several options employers can use to engage employees in healthy choices. Both positive and negative incentives are possible. Existing rules allow a combination of incentives and penalties to exist within the same structure as long as the difference between the best and worst financial impact is within Federal allowances.

Types of Consumerism Financial Incentives

Goal of Incentive	Decision Timing	Health Status	Examples
Select optional health plans or provider networks that meet the cost and coverage needs of the member	During open enrollment	Distribution between the health and ill reflecting underlying enrollee population	Premium tiered health plans
Select a low-cost, high- quality provider	Varies, usually at the point of care	Patient is usually ill or needing service	Point of care tiered health plans
Select a low-cost, high-quality treatment option	At the point of care	Usually when the patient become ill, sometimes before	• Tiered drug benefits • Incentives for following evidence-based care
Reduce health risks by engaging members to seek care	Ongoing	Varies-the patient has a high risk of chronic condition	Incentives to comply with recommended care (e.g., prenatal care)
Reduce health risks by engaging members to change lifestyle	Ongoing	Varies – the patient has a lifestyle factor that increases health risks	Incentives based on outcomes using bio-metrics

*Source Consumer Financial Incentives: A Decision Guide for Purchasers, Prepared for: Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services.

There are at least 5 areas that can be changed to implement financial incentives:

1. **Premium** – This allows both the employee and the employer to share any savings based on the split in how each contributes to the overall cost of the plan.
2. **Employee Contribution Rate**- This allows greater flexibility to award employees more or less than would occur by using the "change in premium" approach.
3. **Deductible**- Increase or decrease the plan deductible based on compliance standards set in the plan.
4. **Cost Sharing**- This would expand on the "change deductible" approach and impact any combination of deductible, coinsurance, maximum out of pocket costs, and copayments.
5. **Personal Care Accounts**- This would allow direct increase to health savings accounts (HSAs) or health reimbursement arrangements (HRAs).

Wellness Incentives as a Differentiator

In the future, the major areas of differentiation in employment compensation packages may be the provision for rewards, incentives, and information to support healthy, productive employees. Employers will always be concerned about their "human capital." High functioning employees lower the costs of unscheduled sick days, absenteeism, disabilities, and worker's compensation claims, while improving productivity.

Health Reform does limit some financial incentive options for coverage offered through the government exchanges. Insurance through exchanges cannot use incentives to directly impact premiums for employees. For the plans that can use the ull capabilities of incentives, financial extras are likely to grow and expand as employers continue to seek ways of controlling health costs and improving productivity.

The strategy of linking employee incentives to results must follow Federal rules. When an incentive (or penalty) is contingent upon the satisfaction of health status, a plan must:

- ✓ Be designed to promote health and wellness
- ✓ Not exceed 20 percent (2014:30 percent under PPACCA) of the total cost of coverage offered
- ✓ Be available to all "similarly situated individuals"
- ✓ Offer an appeals process
- ✓ Provide "reasonable alternatives" when appropriate
- ✓ Offer re-assessments at least once per year

Conclusion

Consumerism with proper plan design supported by information and incentives has proven itself over the last eight years to lower costs and improve quality of care. The challenge for any employer looking to establish an incentive strategy is to determine what amount of incentive for what activity will work to motivate their employees. Listen to them. Survey them. Look to similar companies in similar industries. It will be an evolutionary process with constant changes and modifications. Be logical, fair and transparent. You may need to start the process with participation incentives and evolve from there. The value of incentives and the type of incentives you choose for your employees is critical. The evidence is mounting. Providing results based incentives seems to lead to better outcomes for both the individual and the plan.

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