



Wellness Incentives Offer Flexible Options to Support CDHC Goals

From Basic Wellness Rewards to Integrated Solutions, Employers Can Tailor Programs to Meet Every Need

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More and more companies are offering employee incentives to help support their consumer-directed health care solutions and ensure the success of their wellness programs.

Whether it's a high-deductible health plan, health reimbursement arrangement (HRA), tiered benefit design, information tools or other CDHC components, innovative companies are finding ways to meet personal and corporate goals through wellness incentives, according to the California Healthcare Foundation. The foundation notes that high-deductible health plan proponents believe financial incentives supported by decision-making tools encourage consumers to make better choices.

A recent Hewitt survey found almost 50 percent of U.S. employers offer or plan to offer incentives to support health-

related initiatives, versus 38 percent in 2006. Mercer also found that companies trying to encourage employees to utilize a HRA achieve about 20 percent participation with incentives. Add a well-executed program that gives awards valued at about \$100, and employers can increase participation to 50 percent. Increase the reward to \$250, and the rate climbs to more than 70 percent.

A workplace survey by *Wellness Program Management Advisor* and Wellness Junction found almost 70 percent of wellness managers encourage employee participation in programs through incentives or rewards. That's up from 54.7 percent in 2003.

Ecount, which provides prepaid health care incentives, noted recently that both insurers and employers are looking to drive

participation in wellness and disease management programs. Matt Gillian, CEO of Ecount, says, "The industry has long recognized that financial incentives are the greatest motivator for behavior, with an estimated \$3 in savings for every \$1 invested." With better incentive programs the incentive industry can save tens of billions annually for employers, he adds.

Industry experts believe incentives will continue growing in popularity as companies realize that improving employee health increases productivity and lowers costs. Companies large and small are turning to outside consultants to help them design and operate those incentive programs. The services offered can range from simply supplying awards for a company's existing program to helping corporations plan, design and manage an

increase in program participation when an effective incentive is included in a wellness program. "The key to successfully motivating an entire employee population is to provide incentives that are relevant and meaningful for every segment," he continued. "The 'one size fits all' approach does not work. [Customized solutions] allow specific redemption opportunities for each individual employee population segment. By doing so, the sponsoring company can ensure each and every reward is truly meaningful, motivating and memorable."

"Some incentives work for some employees better than others," agreed Sue Lewis, senior vice president of health and productivity solutions for

- Health rewards (condition-specific rewards, such as a glucose monitor, fitness, health and beauty products, recreation products, prescription discount cards, etc.)
- Debit cards

Varied Approaches

There are a number of incentives in the marketplace and a variety of approaches to offering incentives. Carefully designed plans should ensure that incentives are tied closely to meeting specific goals for employees. The amount of effort also should track to the value of the reward.



“One tactic is to offer middle managers a bonus based on their employees’ participation in health programs and other CDHC wellness initiatives.”

— Sue Lewis, senior vice president of health and productivity solutions for IncentOne

integrated company-wide recognition program in which wellness is one of many components. The incentives vary from prepaid merchant cards to branded merchandise to gift certificates to health insurance discounts.

Here's a look at the issues, options and trends your company should consider if it's looking at using incentives to support the wellness components of its CDHC programs.

Proven Results

Kevin Armstrong, product manager for health solutions for American Express Incentives Solutions (AEIS), said his company's research indicates a 70 percent

IncentOne. "Not all employee populations are the same. Some employees will find great value in a \$100 gift card; others will more likely appreciate a \$250 contribution to a health savings account."

Lewis said employers have many more incentive options today to consider for wellness programs. She identified four basic types of incentives that can be offered:

- Non-monetary awards (such as gift cards from national retailers, travel packages, gas/phone cards, food and personal services)
- Monetary awards (health savings account, HRA, medical premium contributions and insurance discounts)

Michael C. Fina, vice president of incentive provider Michael C. Fina, said the programs his company supports typically are designed in one of two ways. In a traditional approach, "You reach your goal, and you have the opportunity to pick your gift from a merchandise catalog," he explained.

The second model is similar to a frequent flyer program. "The wellness program is part of the organization's larger, more all-encompassing total recognition program that awards the recipient points," Fina said. "Instead of choosing an award when you reach a goal, you receive points that are deposited into your recognition account." In this case, he adds, employees build up points throughout the year from a variety of recognition programs—such as safety, attendance and community service—in addition to wellness. At the end of the year, employees use those points to select merchandise from a catalog.

Maria Bavender, vice president of sales for Hallmark Insights, said her company supports incentives in both monetary-based and non-monetary categories. The

most popular in this group is a choice of merchant gift cards (the top choice since 2005 across all recognition sectors). Other non-monetary incentives include prepaid VISA cards, merchandise and promotional products.

“We work with clients to find the best incentive product for their situation,” Bavender added. “We want incentives that are easy and cost-effective to administer and appeal to a diverse audience.”

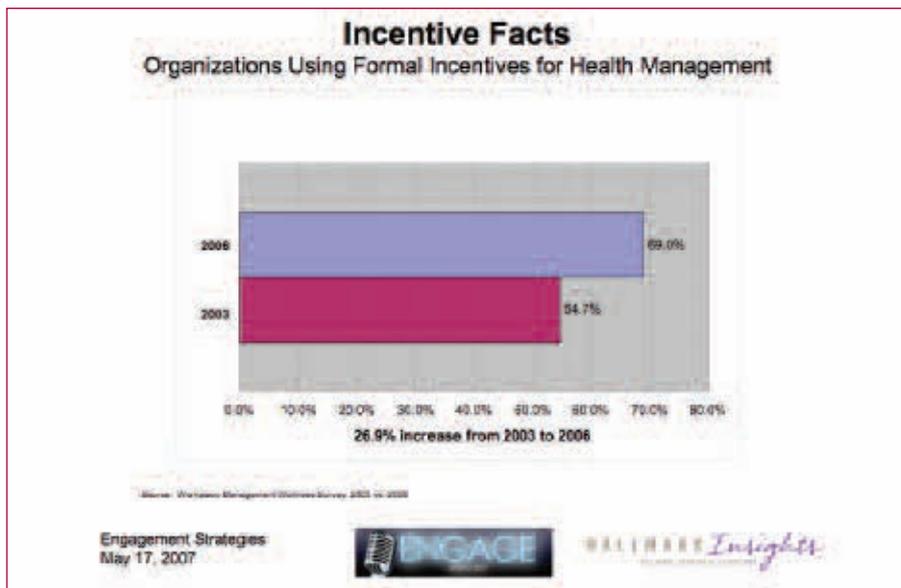
While all agree that incentives work, experts warn that disincentives typically fail as motivators for changing employee habits and lifestyles. Lewis said that disincentives—punishing employees for noncompliance, “generally do not work well and they tend to sour employees’ experiences.” Various studies also support the consensus that punishment falls far short of the results seen through positive reinforcement.

Head Off Barriers to Success

But even the best intentions can go astray. “With health care, one of the biggest problems is getting people to stay involved over time,” said Phil Leger, vice president of operations for Incentive Logic. A well-designed incentive program helps address that potential pitfall.

Getting people who are already in good health and physical condition involved in the program also can be a challenge. Traditional programs previously saw 30 percent to 40 percent maximum participation, according to Brett Tharpe, CEO and president of TharpeRobbins. “Typically a lot of already healthy people were not coming,” Tharpe said. “New programs are addressing that problem.” Well-designed plans find ways not just to encourage employees to get into better shape; they also reward them for staying healthy—and offer incentives to those who are already fit to stay in good condition.

Hallmark Insights and IncentOne both divide employees into various categories based on their level of risk. For example, Lewis said, consumers can be divided into high-risk, at-risk and low-risk groups. A low-risk group includes employees who are relatively healthy. Incentive programs can then be designed to address all three categories.



Communications is the main area where too many incentive programs fail, Lewis added. She advises employers to communicate early, often and through as many different media as possible. Emails, Web site materials, printed collateral and employee meetings are key to a thorough communication plan.

Lewis also said companies need to adopt a culture of health in the workplace. Incentives to encourage weight loss, for example, can be undermined if the company cafeteria fails to provide healthy

lunches. A gym membership is a great benefit—unless managers do not provide time for employees to put it to use. Managers need to be advocates for wellness programs, not barriers, Lewis continued. One tactic is offering middle managers a bonus based on their employees’ participation in health programs and other CDHC wellness initiatives.

Just as health benefit plan design features have been used and modeled to avoid utilization of services, Lewis explained, health incentives can be used

Incentive Vendors

American Express Incentive Services: www.aies.com

Provides business-to-business reward solutions including stored-value American Express cards and cheques and a Web-based reward management tool.

Ecount: www.ecount.com

Provides a suite of prepaid VISA card health care incentives, including communications and implementation support.

Hallmark Insights: www.hallmarkinsights.com

Full-service incentive provider, including program planning, design, execution and communications.

Incentive Logic: www.incentivelogic.com

Develops performance-based rewards programs that combine business intelligence with a software platform.

IncentOne: www.incentone.com

Technology solutions company that specializes in administering incentives for employer-based health and productivity programs.

Michael C. Fina www.mcfawards.com

Provides corporations with programs to recognize people for any initiatives, including wellness.

TharpeRobbins: www.tharperobbins.com

Provides a wide range of employee recognition services; helps clients set goals, assess needs, devise a solution and communicate the program.

to avoid costly care—not through cost shifting or erecting barriers to care, but through positive reinforcement by investing in the health of the individual. “At their core, incentives are a mechanism to create or reinforce positive health behaviors,” she added. “Complying with a medication routine, getting annual screenings, keeping children up to date on their immunizations—incentives are a tool to encourage these behaviors for instance. And incentives do work.”

Multi-Dimensional Programs

Tharpe says that in the past, health programs have been one-dimensional. He says employees may have learned better habits but had little incentive to apply the knowledge.

However, incentives do have their limits. “If an incentive is always expected with little effort, it does not have as much impact,” says Paula Ball, fitness/wellness manager for Phoenix College. “Some of the most successful programs have been those that do not put the emphasis on the prize; rather, the emphasis is placed on congratulating participants for their commitment to wellness and their own health.”

Trends and Opportunities

The *Wellness Program Management Advisor/Wellness Junction* study found cash-based rewards are used by 67.8 percent of wellness managers in 2006, versus 63.9 percent in 2003. Cash bonuses were second, with 32.2 percent

The industry is going “from an older model where you had many decentralized, fragmented recognition programs to a larger, umbrella, total recognition program company-wide—and wellness is a part of it,” he said. Taking a total recognition program approach makes it easier for companies to add wellness and other programs to their existing recognition offerings rather than creating a standalone program for each situation.

Another trend Fina noted is more frequent use of brand-name merchandise to drive the wellness program. “Gifts that are appealing, attractive and have good brand names help draw participation in the program,” he said.

At Hallmark Incentives, Bavender said, she sees employers wanting universal platforms and incentives that can be used through the company. “There’s always the trend for more data, so we can convince the boardroom that this is a good investment,” she said. “It’s something the incentive industry is working hard to do.”

For TharpeRobbins, wellness is becoming as much a corporate concern as safety. “On wellness and safety, you can produce an ROI analysis and see actual results,” Tharpe said. These programs “get associates involved, and the fulfillment function is a huge factor in that,” as well as helping with employee retention. (The fulfillment function refers to filling orders for such items as gift cards or catalog selections.) Corporations are facing both internal and external pressures to address wellness issues, he noted. “There’s also a lot of emphasis in corporations on employee engagement and work/life balance,” Tharpe said.

The bottom line in using wellness incentives to encourage employee participation goes beyond the benefits to a corporation, Bavender concluded. “What it’s all about is getting behavior change: motivating people to do something that they wouldn’t do without an incentive,” she said. “There is a long way to go in the United States to get us into a healthier state. We want to use incentive programs to sell the benefits of vitality to people and bring them to these programs that are being offered. We want to develop a culture of health for everyone.” **CDHC**

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Newer programs are multidimensional. “From kicking off the program through an educational component through setting and reaching goals, there are incentives along the way to encourage employees to practice what they learn, as well as to reach a personal goal,” Tharpe says. TharpeRobbins offers not only traditional merchandise (watches, jewelry, home and office gifts), but also products in a health platform (scale or blood pressure monitor) and a wellness category (back massager or step machine), he says. The new categories “tie back nicely to the entire wellness program,” he added.

last year. The percentage of programs rewarding participants who are already healthy and fit increased from 56.8 percent in 2003 to 66.1 percent in 2006.

Armstrong of AEIS said the majority of all companies now offer some type of wellness program to their employees. “Companies can expect significant participation rates in wellness programs when incentives are offered,” he said. “Corporate wellness programs are the most promising option for companies to lower health care expenses.”

Fina said wellness incentives “definitely are becoming more and more popular.”