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# Wellness Incentives in the Workplace

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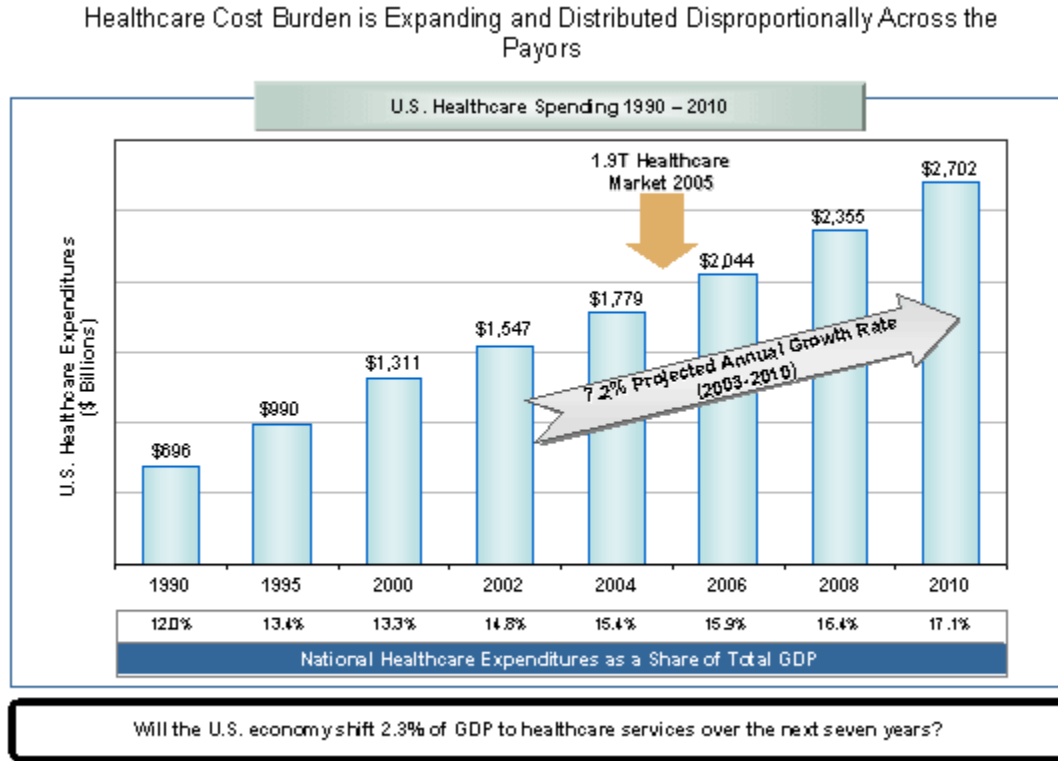
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## An Introduction to wellness based healthcare

One of the chronic challenges facing business today is the constant pressure to contain costs. While many factors contribute to the rising costs of business, one of the most frustrating facts for businesses in attempting to restrain costs is the rising cost of providing healthcare benefits to employees.



Source: U.S. Centers for Medicare and Medicaid Services  
Source: Tom Main Consulting

As depicted in the chart the cost growth for healthcare is projected to continue for the foreseeable future, perpetuating many of the present challenges.

To further quantify the present costs associated with health care; some real world perspective.

- Starbucks
  - Spends more on health care than it does on coffee beans
- General Motors
  - Spent \$5.3 Billion on health care
  - 25% traced back to unhealthy personal habits
  - Average GM worker fills 15 different Rx per year
- Average health care expenditures
  - \$2,650 per person without diabetes
  - \$13,243 per person with diabetes
  - 2.4 times higher for diabetics than non-diabetics

## Wellness: A Paradigm Shift

In business terms controlling costs through the 1990's focused on the supply side of the healthcare system. The push was to drive down the costs of various stake holders, doctors, drug companies, hospitals etc, to reduce the overall cost.

Today, the demand side of the equation, the health care user, is the focus. User or demand-side strategies focus on programs to help those who are currently healthy remain so, and to move those who are ill (episodically, chronically and catastrophically) toward better health through disease management and healthy living choices. These types of programs are referred to as wellness programs.

Wellness is a continuum ranging from disease and disability to optimal health (the illness/wellness continuum).



Source: <http://www.healthy.net/scr/Article.asp?Id=2529>

The Merriam-Webster dictionary defines wellness as: “The quality or state of being in good health especially as an actively sought goal”. The key phrase is “actively sought”. Thus wellness is a proactive approach to an individuals overall health.

Viewed in the present state of healthcare delivery this is a shift from the model many companies have and have become accustomed to. In the most common model the healthcare system comes into action and focuses on curing an illness. Outside of these calls to action the healthcare system is passive with no systematic approach to help the individual attain a healthier state of wellbeing. In the passive model the health plan provider is there simply to mitigate the resulting healthcare costs.

In a wellness model the role of the individual, the business and health plan changes. Wellness is a holistic lifestyle approach to health. It is asking all three parties to seek a different partnership in the approach to healthcare.

### **A wellness healthcare model is a proactive approach that;**

- Promotes active involvement of the individuals in their overall health.
- Raises awareness about the impact of lifestyle choices on overall health and health care costs
- Helps individuals establish short and long term health goals
- Encourages periodic health risk assessments (HRA)

- Promotes individual to adopt lifestyle changes that lead towards healthy living
- Recognizes chronic health issues and engages the individual as a critical element in the treatment and management of health issues through lifestyle choices
- Provides communication and information around healthy choices

### Importance of wellness programs in addressing healthcare costs

Studies show lifestyle changes may affect the cost of healthcare. One study by a group of physicians headed by Dr. Huong Q Nguyen at the University of Washington looked at the association between use of a health plan-sponsored health club benefit by older adults and total health care costs over 2 years. One of their conclusions was “Regular use of a health club benefit was associated with slower growth in total health care costs in the long term but not in the short term.” The table below illustrates that by the second year there were significant healthcare cost savings in comparison with the control group; an average of \$500 per year.

Table

Use or Cost Measure (per Year)	Controls (n = 9035)	SS Participants (n = 4766)	Adjusted Mean Difference (95% Confidence Interval)	P Value
<b>Health Care Use</b>				
<b>No. (%) of people with an inpatient admission</b>				
Baseline	825 (9.1)	432 (9.1)	NA	NA
Year 1	984 (10.9)	454 (9.5)	-1.0% (-2.1% to 0.1%)	0.05
Year 2	1129 (12.5)	471 (9.9)	-2.3% (-3.3% to 1.2%)	<.001
<b>No. of primary care visits per person</b>				
Baseline	4.5 (5.0)	5.1 (4.3)	NA	NA
Year 1	4.7 (4.6-4.8)	5.3 (5.2-5.5)	0.40 (0.27-0.53)	<.001
Year 2	4.8 (4.7-4.9)	5.3 (5.2-5.4)	0.26 (0.13-0.40)	<.001
<b>No. of specialty care visits per person</b>				
Baseline	2.7 (3.2)	3.2 (3.3)	NA	NA
Year 1	2.9 (2.8-3.0)	3.3 (3.2-3.4)	0.22 (0.11-0.33)	<.001
Year 2	3.0 (2.9 to 3.1)	3.4 (3.3-3.5)	0.25 (0.14-0.36)	<.001
<b>Health Care Costs per Person, \$</b>				
<b>Total health care costs</b>				
Baseline	4693 (7288)	5212 (8530)	NA	NA
Year 1	5687 (5486-5888)	5677 (5388-5966)	2 (-341 to 344)	0.99
Year 2	6742 (6480-7003)	6155 (5843-6466)	-500 (-892 to -106)	0.01

This study looked at one component of a lifestyle and only one benefit provided by their health plan provider. However, this does indicate, as a first step, a change in lifestyle encouraged by an incentive (in this case a sponsored health club benefit provided by a health plan) over time may lower healthcare costs.

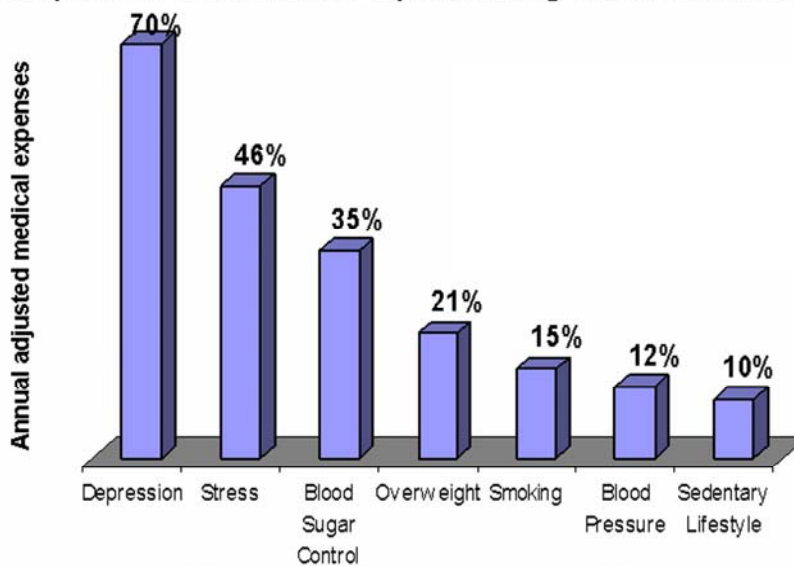
### Adopting a Wellness Philosophy

What may be most daunting for companies and individuals to embrace is the associated shift of paradigm. In a wellness model the business and health plan play a significant role by providing the incentives, tools and resources to help the individual attain their goals. In the wellness model the individual is proactive and follows a path they designed to accomplish certain health and wellness goals. In the wellness framework the individual is working to adopt a healthier lifestyle. In the case of modifiable risk factors a wellness approach helps to identify these issues and assists the individual in reducing the impact the risk factor has on their lives. As the following chart indicates unreported modifiable risk factors result in significant healthcare costs.

## Increased Health Risk, Increased Cost

### Impact of Modifiable Risk Factors on Medical Expenses

*Comparison of those who report having the condition to those who don't*



Adapted from Goetzel RZ, Anderson DR, Whitmer RW, et al, Journal of Occupational and Environmental Medicine (40) (10) October 1998, 1-12

A poll conducted in July 2006 by the Wall Street Journal/Harris Poll indicates consumer support for a wellness incentive approach is gaining popularity. More than half of those surveyed (53 percent) said they think it's fair to ask people with unhealthy lifestyles to pay higher insurance premiums than people with healthy lifestyles, while 32 percent said it would be unfair. When asked the same question in 2003, 37 percent said it would be fair, while 45 percent said it would be unfair.

## **Elements of a Successful Wellness Program**

The move of an employee base towards a wellness model has many components, but there are four key elements that are imperative. They are senior management support for the program, employee involvement, communications and resources, and implementing incentives to encourage and reward beneficial changes in behavior.

### **Focus: CEO & Senior Management Support**

Critical to the success of any wellness program is the need for top down support. Too often organizations marginalize the importance of CEO & senior leadership involvement and engagement in the program. As with any workplace initiative, senior management is in the position to:

1. Set the stage and establish vision of the health and wellness program in the organization
2. Allocate the necessary resources, staff time and monetary, to enable successful program implementation and sustainment of the wellness program
3. Set a precedent and communicate the importance of the wellness program and how it will benefit both workers and the company
4. Lead by Example. Reinforce the importance of the wellness by embracing the program and engaging in every opportunity with the program.

CEO and senior management can have an immense influence on whether a wellness program succeeds or fails. To ensure the greatest opportunity for success, the CEO and senior management must embrace these responsibilities and translate them into actions.

### **Focus: Employee Involvement**

In his paper written for the Wellness Councils of America, [www.wcoa.org](http://www.wcoa.org), titled *10 Secrets of Successful Worksite Wellness Teams*, David Hunnicut, PhD states “we found that teams are also a critical part of the longevity factor in results-oriented worksite wellness programs. After studying successful wellness initiatives for the last 20 years, there’s no question that the great ones rely heavily on teams.”

Dr. Hunnicut’s 10 secrets are:

1. Team Members Are Formally Appointed
2. Team Members Have Wellness Written Into Their Job Description
3. The Wellness Team Is Promoted Throughout The Organization
4. The Wellness Team Has Strong Leadership
5. The Wellness Team Includes People From Different Areas And levels
6. The Wellness Team Meets Regularly
7. The Wellness Team Has A Formal Agenda
8. The Wellness Team Keeps Minutes
9. The Wellness Team Communicates Frequently
10. The Wellness Team Participates In Continuing Education

He concludes “Worksite wellness initiatives can improve health and contain costs. However, in order to be effective, health and productivity management initiatives need to be built properly. At the core of the process is the idea of developing a cohesive team. By implementing the 10 suggestions highlighted in this article, you will take important strides to building a best-in-class wellness program.”

### **Focus: Wellness Communication (Aon Consulting)**

In a case study published by Aon Consulting, [www.aon.com](http://www.aon.com), their perspective focuses on communications side of the issue. They developed a communications initiative designed to promote the client's health plan as a wellness tool. The communications program included tips on being a smart health care consumer and directed employees to their carrier's web based support tools and programs. The goal with this initiative was to reduce an expected 18% increase in healthcare costs by 5%. Thanks in part to this initiative, actual results were better than expected, as claims increased only 7% over 2003

For the next step, the company started adding incentives to help move people to a healthier lifestyle. The company created an employee newsletter focused on encouraging employees to embrace healthier lifestyles—to lose weight, quit smoking, and go for annual checkups. It included a card that employees used to pledge that they would improve their physical fitness by walking four miles a day. Each employee who returned a pledge card received a pedometer and became eligible for a \$100 gift certificate drawing. This modest incentive resulted in the first-year of nearly 2,000 of 28,000 employees returning the pledge cards, a good return for a first year program and small incentive. This case study indicates that a wellness program, in conjunction with or separate from a health plan, can play a part in reducing costs.

### **Focus: Successful Wellness Incentives**

Key components to IBM's wellness program are also incentives. They outlined these in their May 2005 report on corporate responsibility<sup>1</sup>, "To encourage employees to maintain healthy lifestyles, IBM provides incentives for doing so. In the United States, IBM offers a Healthy Living Rebate program. During the annual health benefits enrollment period, employees who certify that they don't smoke— or if they do, are willing to participate in an IBM- sponsored smoking cessation program—can receive a \$150 cash rebate."

"An additional \$150 rebate is available for employees who participate in a regular routine of physical activity and log their performance online through a Virtual Fitness Center. So far, these incentive programs have produced impressive results. More than 9,000 employees and spouse/domestic partner smokers agreed to participate in the 2003 smoking cessation intervention. Program quit rates were impressively higher than national norms. More than 97,000 employees elected to participate in the 2004 Physical Activity Rebate program, leading to a 500% increase in monthly Virtual Fitness Center use. More than 50,000 rebates have been earned. In other countries where IBM has a sizable number of employees, similar programs are being designed to encourage healthy behaviors, with attention to local health issues and culture."

1. [www.ibm.com/ibm/responsibility/pdfs/ibm\\_crr\\_emp\\_wellbeing-050305.pdf](http://www.ibm.com/ibm/responsibility/pdfs/ibm_crr_emp_wellbeing-050305.pdf).

Another example is the wellness program instituted by Hoffman Construction of Portland Oregon. Larry McDaniel, who manages Hoffman's employee benefits, states "The right tools can help employees stay healthier and help control costs. To encourage that and to help control costs, we established a company wellness program. Our program provides incentives to stay healthy. For example, if you take certain screening tests, you save on your monthly premium. We give points for going to health-related seminars and for keeping exercise logs, with cash awards at the end of the year."

"We've seen a cultural change with our employees. People are a lot more aware of wellness and their own health than they have been in the past and that's a very good trend. We've got about 600 employees, and 75 percent of them are participating. Our employees are healthier, which is a good thing all by itself. It's also helped our healthcare costs."

## Six Steps to Wellness Incentives

Sue Lewis<sup>2</sup> in her brief “The Art and Science of Health Incentives” for IncentOne, an incentive consulting company examines six steps organizations should take when implementing an incentives program:

1. **Identify what type of behavior you’re trying to incent.** “Clearly defined goals are critically important,” says Sue Lewis, senior vice president of Health and Productivity Solutions for IncentOne. “A company needs to identify what exactly it’s trying to achieve and why.”
2. **Understand what will motivate your employees — and what won’t.** Some employees value a \$100 gift card, but others will more likely appreciate a \$250 contribution to a Health Savings Account.
3. **Identify your preferred method of incentives.** Monetary or non-monetary? Health-focused awards or debit cards?
4. **Choose a vendor smartly.** “You want somebody who can integrate all of the program data, track participation, goal achievement, delight and engage the end-user over time and essentially grow with you as your program evolves,” Lewis says.
5. **Communicate.** Employees need to know exactly what they’re being encouraged to do.
6. **Adopt a culture of health in the workplace.** Offer healthy cafeteria options. Allow flexibility so employees can use a gym membership. “A good health and productivity program must allow employees to actually do the things that incentives are encouraging them to do,” Lewis says.

2. Sue Lewis is Senior Vice President of Health and Productivity Solutions for IncentOne. The Art and Science of Health Incentives © Copyright 2007, IncentOne <http://www.IncentOne.com/IssueBrief>

## Conclusion: Wellness and the bottom line

The goal in promoting wellness is to encourage people to change their high-risk behaviors in order to reduce their future risk of disease and/or poor health as well as live a fulfilling life. For business the goal is healthier employees and an improved work environment which can result in reduced absenteeism, increased productivity, reduced healthcare costs and ultimately a much healthier bottom line.