Worksite Wellness: Incentives and the Affordable Care Act
Today’s Webinar

- Why have a wellness program
- Whether wellness programs should be incentivized
- How incentives and disincentives can be designed
- New rules for incentives within health plans
- The benefits and risks of incentives
Why Have a Wellness Initiative

• 150 million Americans receive their health care through employer-sponsored group health plans.
• Employers spend more than $8,500 per active employee on health coverage which is \( \frac{3}{4} \) of the $11,176 total cost per employee in 2011.
• Healthcare continues to outstrip inflation.
• There has been a 36% average increase in healthcare coverage costs for employers in the past 5 years but a **45% increase for employees on average!**

JOEM Volume 54, Number 7, July 2012
EXHIBIT A

Average Annual Health Insurance Premiums and Worker Contributions for Family Coverage, 2001–2011

2001

$7,061

$5,269

$1,787

2011

$15,073

$10,944

$4,129

113% Premium Increase

131% Worker Contribution Increase

Why Have a Wellness Initiative

• Therefore, if employees aren’t allowed a method to help ameliorate this unequal rise, the likely result is an increasingly uninsured, upset, stressed, and chronically ill population of employees.
What are the Potential Benefits of Wellness at the Worksite?

- Decreased or stabilized healthcare costs
- Favorable return on investment
- Increased productivity
- Reduced absenteeism
- Improved overall morale/staff retention
Potential Benefits of Wellness at the Worksite

• Reduction in healthcare costs
  – For each dollar spent on worksite wellness overall healthcare expenditures are conservatively reduced $3.27. (Baicker 2010)

• 27% reduction in sick leave and absenteeism.
  – Those with high modifiable behavior risk factors are 1.75 times more likely to have higher absenteeism rates than the those with less risk. (Serxner 2001)
  – For each dollar spent on worksite wellness expenditures related to absenteeism are reduced by $2.73. (Baicker 2010)
Figure 1. Mean indemnity claims costs, medical claims costs, and number of lost workdays per claim by body mass index (BMI) category. Body mass index is calculated as weight in kilograms divided by height in meters squared.
Comprehensiveness is Key, and Incentives work only in the presence of a comprehensive initiative

- Health education
- Supportive social and physical work environments
- Integration/linkage
- Worksite screening and appropriate program offerings
## Strategic Framework

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<thead>
<tr>
<th>Environment</th>
<th>Physical Activity</th>
<th>Healthy Foods</th>
<th>Tobacco</th>
<th>Mental Health &amp; Stress Management</th>
<th>Chronic Disease</th>
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<td>Policy</td>
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<td>Benefit Design</td>
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**Building a Foundation**

- Communications
- Data
- Wellness Committee
- Leadership
- Incentives

**Good Health is Good Business**
Incentives and Disincentives

• An incentive is a positive reward intended to influence or improve the performance of an individual or group. It is usually targeted toward a specific goal.

• A disincentive is some form of undesirable penalty that is levied for not participating in an activity or for not working toward or achieving a specific goal.
Assuming a Wellness Initiative is a good thing, why offer worksite wellness incentives?

1. It may start employees thinking and asking questions about wellness issues such as nutrition, physical activity and other topics you have chosen to focus on.

2. Incentives and competitions often get the ball rolling and allow employees to try things you want them to try that they may not be used to doing.

3. Incentives, whether money or “stuff”, have value and allow the employee to take the message home physically and/or financially.
Why offer worksite incentives?

• Incentives mean “putting your money where your mouth is”.

• Incentive monitoring can be a great way to see if this method of encouragement gets results and then be able to modify programs based on the results.
Incentive Summary

• “The role of an extrinsic motivator-like an incentive—is to activate employees to learn about health and wellness, engage in wellness program components, and begin selected behavior changes”*

*Refer to WorkWellKS Webinar #2 on Benefits

Am psychol. 2000;55:68-78
• In 1996, the Health Insurance Portability and Accountability Act enacted consumer protections that prohibited group health plan from discriminating against participants based on health factor when determining eligibility, benefits or contribution. However, nondiscriminatory workplace wellness initiatives designed to “promote health or prevent disease” WERE allowed to offer rewards based on health factors.
Regarding Incentives, wellness programs were divided into two categories

1. Participatory Wellness Programs
   - Incentives earned solely for participating in an activity
   - No regard to health status or health outcomes
   - Must be made available to “all similarly situated individuals”
   - Examples: reimbursed gym memberships, attending a wellness event, completing risk assessments or screenings (as long as the results of the screenings or assessments do not influence receiving the reward)
Regarding Incentives, wellness programs were divided into two categories

2. Health-Contingent Wellness Programs
   – Incentives which require meeting certain health condition or completing a targeted program related to that condition (outcomes-based)
   – Must be reasonably designed with reasonable alternatives for achieving rewards which were limited to 20% of the total cost of the medical premium for the individual (or for the family if they were also eligible for incentives)
• Participatory programs are fairly non-controversial and usually the first step in incentivization is to reward participation in these programs.

• Health-contingent programs, on the other hand, can raise a number of questions and these programs are the primary target of our discussion.
2006 Final HIPAA rules regarding nondiscrimination standards for “health-contingent” programs

- In general, these rules prohibited a group health plan or insurer from charging one individual a higher premium than another based on a health factor.
- There was a specific exemption for premium discounts or rebates “in return for adherence to programs of health promotion and disease prevention”.

What standards had to be met to allow health-contingent programs to be incentivized?

• A limit on the reward to 20% of the cost of the medical plan
  – This includes the cost of both the employer and employee contributions
  – If rewards only available to the employee they should be limited to 20% of the cost of the single tier of the plan

• The wellness program must be reasonably designed to promote health or prevent disease.
  – Should not be a subterfuge for discrimination based on a health factor
  – Should have a “reasonable chance” of improving health or preventing disease
  – Should not be “overly burdensome”
  – Encouraged to be evidence-based (i.e. Community Guide to Preventive Services)
  – Allows some “reverse discrimination” in allowing individual with adverse health factors to receive additional specific benefits (i.e. diabetics and their supplies)
What standards had to be met to allow health-contingent programs to be incentivized?

• Participants had to have an opportunity to qualify at least once per year

• Reasonable alternative standards had to be made available for certain individuals where it would be medically difficult or inadvisable to comply with the terms of the wellness program

• All initiative communication materials describing the terms of the incentive had to clearly disclose the availability of a “reasonable” alternative standard for meeting the incentive or the possibility of a waiver.
Update based on the passage of the Patient Protection and Affordable Care Act (PPACA) 2010

• The PPACA allows the health-contingent reward cap of 20% to be increased to 30% in 2014 and an additional 20% to a total of 50% if the additional 20% is specifically tobacco related.*

• Remember this is a cap and much lower reward amounts are perfectly acceptable.

*i.e. a $12,000 total premium cost could allow $6000 in rewards or penalties—would that be a good thing?
Maximum Incentive Size

% of Total Employer/Employee Premium Contribution

- Initial Incentive %
- Increase Incentive %
- Addition of Tobacco Specific Incentive

HIPPA 1996
- Initial Incentive %

PPACA Jan 2014
- Initial Incentive %
- Increase Incentive %

PPACA Jan 2014
- Initial Incentive %
- Increase Incentive %
- Addition of Tobacco Specific Incentive
The Major Remaining Issues or questions that Need Further Explanation

– What are the elements of a “reasonably designed” wellness program that incorporates outcomes-based incentives?

– In a “reasonably designed” wellness program, what are the considerations in assuring a HIPAA-compliant outcomes-based incentive design that provides a “reasonable alternative standard” for those who cannot meet the health standard?
How Difficult is it to Change Individual Behaviors?

• We sometimes become discouraged when trying to tackle major societal issues. Should we?

• Let’s look at some relative successes:
  – Seat belt use
  – Worksite safety
  – Recycling
  – Smoking cessation
Success Stories

• In each of these examples success has come through a broader strategy focused on capacity building, education, culture change and policy change.

• Why would it be different for the major 3 non-tobacco modifiable health risks (poor nutrition, lack of physical activity and cholesterol lowering)?
What are the Elements of a “Reasonably” Designed Wellness Program?

• Some of these “successes” used techniques other than fines and user fees that might offer some guidance in going beyond incentives.

• We should remember again that employers can only offer premium contributions or other financial benefits based on a health factor “only in connection with wellness programs”.

Federal Register. Vol 71, No. 239. 2006
What are the Elements of a “Reasonably” Designed Wellness Initiative?

• Here we have some guidance:
  – An initiative that has a “reasonable chance of improving the health of or preventing disease in participating individuals” should have a number of the following:
    • Strategic Planning
    • Cultural Support
    • Programs
      – Assessment and screening
      – Behavior change intervention
    • Engagement methods
      – Communications
      – Incentives
    • Measurement and evaluation
Further Guidance for HIPAA-Compliant, Outcome-based incentives

- Incentive Design
- Reasonable Alternative Standards
- Incentive Size
- Conditions for Applying the Incentive
- Rewards versus Penalties
Incentive Design

• The rules are somewhat unclear in defining the types of health factors considered “reasonable” to qualify as usable “health standards” for incentivization.
• They should be related to health promotion and disease prevention, not overly burdensome to achieve, and not an excuse for discrimination.
• Consensus has been that weight, cholesterol, blood pressure and tobacco are factors that most fit these criteria.
  – Of course, in weight, cholesterol and blood pressure improvement it is physical activity and healthy eating that make modification possible!
Incentive Design

• Incentives should only be offered for modifiable health status factors (all 4 of the previously mentioned factors meet this standard)

• Be careful about the “time” commitment to achieve the standard.

• Blended and flexible designs are often beneficial

• The economic burden must not fall on one race or ethnic group more than another.
Reasonable Alternative Standards

• The major 2 reasons for alternative standards is
  – To “reduce instances where wellness programs serve only to shift costs to higher-risk individuals”
  – To “increase instances where programs succeed at helping individuals with higher health risks improve their health habits and health.”
Reasonable Alternative Standards

• When it might be “unreasonable” to expect an employee to achieve a health standard because of a medical condition or when the effort at achieving that standard could put them at some medical risk then the regulations provide options for a “reasonable alternative standard”
  1. Lower the threshold of the existing standard
  2. Substitute a different standard
  3. Waive the standard
  4. Have the employee follow the recommendations of his or her physician
Reasonable Alternative Standards

• It gets more vague and difficult when issues of confidentiality come into play.

• The employer can seek verification of an employee’s need for an alternative standard but the employer cannot ask for specific medical information.

• Any medical information obtained through a wellness program that could identify a disability must be kept confidential.
Incentive Size
Incentive Size

• The governing principle is the incentive amount “should be based on a value that is intended to promote health... rather than being based on an estimation of the cost associated with certain health risk factors.”

• The regulations seek to:
  – Avoid a reward or penalty that is so large that it would discourage enrollment or practically deny coverage based on health factors.
  – Avoid creating too heavy a financial penalty on individuals who cannot satisfy an initial wellness program standard.
Incentive Size

- Although incentives can reach 30% (plus 20%) of the cost of individual insurance the long term effects of maximum allowable percentage are unknown.
- Since “extrinsic” motivation is primarily designed as a launching pad for “intrinsic” motivation, it is important to try and figure out what level of incentive is best in your particular business or organization.
Incentive Size

Here are 4 questions worth asking as you design your incentive plan:

1. Does the incentive amount fit with your culture?
2. Will the incentive amount drive behavior change in your population? Is there an evidence to support that?
3. Will penalties have a differing impact across different income or racial/ethnic groups in the company?
4. Is the incentive large enough to result in cost shifting to nonparticipating or nonattaining employees thereby making them less able to afford coverage?
Conditions for Applying the Incentive

• In general, goals that are more flexible are preferred over “ideal” targets.

• Blended designs (designs that blend outcomes and effort toward achieving outcomes) give rewards for meeting less stringent goals or for making meaningful progress toward the goals.

• Spreading the incentive over multiple categories is also worthy of consideration.
Conditions for Applying the Incentive

• Plans are encouraged to set initial standards in such a way that no participant would ever find them unreasonably difficult enough to warrant the need for an alternative standard.
  – Examples could include improvement or even maintenance of an HRA (health risk assessment) score or result*
  – Individually agreed upon goals (with or without additionally offering health coaching and follow-up support)

*The theory is that most scores worsen with time, weight gain, BP increases, rising blood sugars, etc. and that stabilization over time is actually age-rated improvement
Rewards versus Penalties
How do workers feel about incentives?

• 67% of workers in 2010 were comfortable with their health plan or employer reducing premiums for healthy workers and for those workers willing to take steps to manage their illness or lower their risks.

• In addition, it is significant that 47% would be comfortable if their health plan or employer raised premium costs for workers unwilling to take such steps. This is up from 39% in 2008.
So Which works the best--Reward or Penalties?

- There is competing research regarding which is best
  - In some cases people may be more motivated to avoid loss (i.e. penalties or surcharges) than to receive rewards.
  - Other research points to rewards for healthy behavior being more consistent with long-term strategy of creating a partnership culture.

**In either case, a good communication strategy and transparency of purpose can go a long way!!**
Don’t Forget Your Ultimate Goals!

• With the need for a skilled workforce increasing, there is a need for retention of older employees. That fact and recent economic conditions encouraging workers to work longer, make it in everyone’s best interest to keep the workforce healthy.

• Even after retirement, the children of retirees face the burden of caring for their unhealthy parents.

• The need for improving Americans’ lifelong health is only going to increase with an aging America!
Summary

• Rising healthcare costs are unsustainable and the need for increasingly expensive illness care is part of the problem
• Good programs are needed to help employees achieve optimal health to reduce these costs
• Incentives to participate in wellness programs and to improve health behaviors are likely to help achieve better population health
• Incentives need to be creative and reward both effort toward goals and the goals themselves
• Incentives should be tailored to the individual worksite and its culture and employee population
Resources

• References

• Websites
  – http://business.usa.gov/healthcare
  – www.cdc.gov/nationalhealthyworksite
  • Then go to: workplacehealthinitiative on May 20, 2013
Worksite Wellness Webinar #1

The ABCs of Worksite Wellness
What is a worksite wellness initiative and does my worksite need one?

KU School of Medicine
Wichita State University

Worksite Wellness Webinar #2

Worksite Wellness: You Can Benefit from Benefits
How do you bring employees onboard and make worksite wellness a permanent positive part of your mission and benefits?

KU School of Medicine
Wichita State University

Worksite Wellness Webinar #3

Worksite Wellness: How to Walk the Walk
How can you make sure your company or institution walks the walk when it comes to creating and aligning policies that make health and wellness a reality for all?

KU School of Medicine
Wichita State University

Worksite Wellness Webinar #4

Worksite Wellness: Making It Come Alive!
How can you design and implement health promotion programs and campaigns that can inspire your company and its employees to achieve maximal health and wellness?

KU School of Medicine
Wichita State University