

Incentive-based wellness programs:

Just what the doctor ordered for bottom-line health

The numbers are enough to make any CFO, benefits manager or HR director ill at ease, if not outright sick:

Five straight years of double-digit increases in total corporate health care costs¹ Nearly three-fourths of the average company's health care costs spent on just 8% of employees²

Almost one-third of employee populations at risk of developing serious medical risks like diabetes and heart disease in the next year.³

But there is another set of numbers, one that is resuscitating corporate management and giving their companies a much healthier outlook:

Employee participation in health management programs is saving individual companies millions of dollars Cost-benefit ratios for health management programs are being reported in the 1:6 range, with some approaching 1:12 and higher⁴

Health management programs using incentives are proving to be the key, providing double-digit reductions in health care costs.

While you're digesting these numbers, here's one more to chew on: 25 – as in a \$25 gift card. It may not sound like much, but as the experiences of some forward-thinking companies are indicating, a simple \$25 - \$50 gift card appears to be more than enough incentive to invigorate health management programs, get employee populations motivated and participating, and provide just the return on investment companies have been seeking for their wellness promotions and bottom-line health.

ROI: Return On Incentives

Incentives are now proving to be a highly effective treatment for anemic health management initiatives. For the progressive employers who are implementing them, they're the gateway to generating participation in all-important health risk assessments (HRAs), which can help stop the flow of employees in low- or medium-risk situations into higher-risk – and higher-costing – conditions.

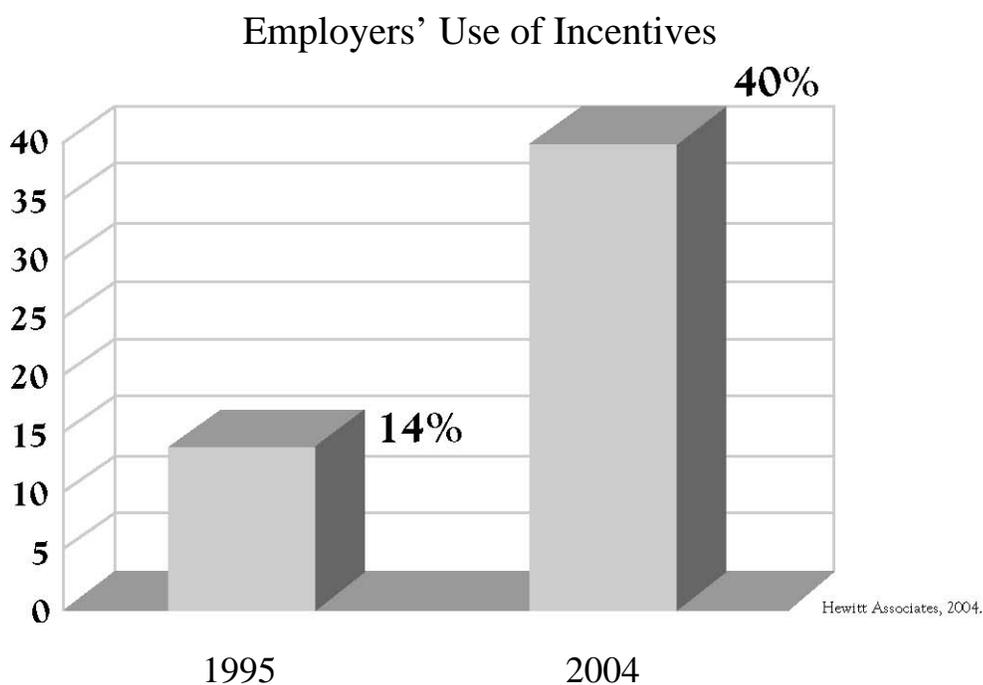
But corporations in general aren't all that familiar with incentives in the health management area. Employers have been using incentive programs for years, of course, as an effective target-marketing tool for internal team-building initiatives, consumer programs and a host of other applications. And they're popular because they work. According to the Incentive Marketing Association (IMA), "Effectively structured programs can increase performance by up to 44% in teams and 25% in individuals." Other studies, including one by author Daniel J. Koys and reported in *Personnel Psychology*, make a direct link between employee motivation and organizational performance. According to IMA research, "...motivation improves customer retention and trust; motivation reduces turnover and improves attitudes; and incentive programs have confirmable ROI."

To that list of attributes it now appears you can add one more: incentives used in wellness programs are increasing participation in HRAs anywhere from 30% to 300%. Today, companies like Quaker Oats, Steelcase and many more are employing incentive-based wellness initiatives and finding the kind of ROI many CEOs and HR directors have been hoping to see.

An article in *Business & Health* in May 2001 reported, "Incentives can considerably increase participation in wellness programs." Citing a program at Quaker Oats, in which employees and their spouses earn credits toward benefits for participating in an HRA or a health screening, or making a lifestyle pledge regarding health practices, the article states, "Research shows that the employees in the program who have decreased their health risks are saving the company about \$2 million each year." The article further cites the example of Providence Everett Medical Center, which offers cash bonuses for meeting eight out of ten health criteria, as well as prizes for participation in other health events. "In the first four years of the program, the company had an average of 28% reduction in health care costs," according to the report.

A study by the University of Michigan’s Health Management Research Center cited another successful incentive-based program. At Bank One, incentives motivated enrollees to participate in workplace prenatal education classes, which resulted in “fewer Caesarean sections, fewer low birth-weight babies and lower pregnancy-related costs.”

Hewitt Associates, a global HR outsourcing and consulting firm, reported in 2004 that incentive options increase participation by tying the incentives to registration at web sites, completion of one or more HRAs and participation in health management programs, resulting in dramatic increases in the last 10 years in the number of employers using incentives, up to 40%.



Incentive vs. Reward: It Pays to Know the Difference

Keith Fenhaus knows firsthand what motivates people, what that motivation costs, which kinds work best and which ones pay off most. As president of Hallmark Insights, a Hallmark company, he and his group are at the forefront of the movement toward incentive-based programs in the health care industry. And he points out an important distinction between incentives and rewards, with major cost-saving implications for employers. “When we engage employers in discussions about incentive-based HRAs, we’re finding one of the things they’re not clear about is the real target we’re trying to reach: the more at-risk people who are less inclined to participate in such a program. For these people, it’s all about incentives, which are proving highly effective in generating various kinds of participation. On the other hand, there are those who are more likely to participate in certain health programs anyway – or already are – and what you’re giving them are simply rewards, like discounts on health club membership or fitness equipment. But these aren’t the people causing the skyrocketing health care costs. The key is motivating reluctant people to get off the dime and into some awareness and participation.”

Mike Casey, director of Mayo Clinic Health Management Resources, echoes that point: “The key is not trying to help the marathon runner shave five minutes off his time. It’s trying to get a large population to take positive steps in areas such as physical activity, healthy eating and other lifestyle choices.” Casey has been an advocate of incentive-based wellness programs for some time now and the reason is clear: He has seen firsthand the bottom-line results that can happen when you combine health management programs with well-run incentive programs.

Casey states, “We’re working with four types of organizations. The first are those groups that don’t believe in incentives or aren’t willing to try them. They’re seeing low participation rates, as we’d expect. Then we have groups that offer health-themed incentives such as our Mayo Clinic cookbooks or self-care guides. These incentives are very appropriate for organizations from a health education perspective.

A third group use programs like Hallmark Insights, which offer the individual a choice and as a result, a personally motivating incentive. Because what motivates Mike isn’t a driver for Michelle. Then there is a fourth group, which ties incentives to the benefits package – discounts on health premiums or contributions to health savings accounts. We are also seeing a lot of growth in this area, with significant increases in participation.”

Enlightenment Beyond T-shirts and Water Bottles

Casey also speaks to more robust incentive strategies that employers are implementing. “We’re seeing more enlightened organizations now putting incentives behind multiple efforts: Complete an HRA for an incentive. Enroll in a lifestyle program for an incentive. Complete the program for another incentive. The HRA is an important piece, but just a start, with follow-up lifestyle management programs to deliver even more impact, all spurred by incentives.”

One client that has worked with both Mayo and Hallmark Insights has over 100,000 employees and a senior-level management team that recognizes that health behaviors impact health care costs and company productivity. The program Mayo delivers to them is both comprehensive and effective: Casey states, “We’re providing their employees a Mayo web portal to go to for information, HRA and behavior-changing programs. They’re getting a Mayo Clinic newsletter mailed to their home. They’re also getting lifestyle coaching from Mayo over the telephone. And they are using incentives to drive participation. There’s value in this kind of consistency and integration across all channels.”

But the web portal is the hub, according to Casey. “The client saw the web as the key and put a gift card-based incentive behind it. It was highly effective in getting their employees to register, to see a host of good options they can take advantage of, and of course to complete the HRA”, Casey says.

In closing, Fenhaus notes: “What we’re starting to work toward are case studies where we can show that with \$10 incentives you can move from X participation rates to Y participation rates, and with \$25 incentives from Y to Z and so on. I think the industry is hungry for that kind of data and we’ll see dramatic increases in company involvement as a result.”

Whatever direction the health management industry takes, it’s certain incentive-based initiatives will be a part of its growth and success. And Hallmark Insights will be providing ample incentive for companies to participate.

About the author:

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References:

- 1 Zagorin, A. (2004). An Rx for Costs. *Time Bonus Section June 2004: Inside Business/Health Care.*
- 2 Zagorin, A. (2004). An Rx for Costs. *Time Bonus Section June 2004: Inside Business/Health Care.*
- 3 HealthPartners. (2003). *HealthPartners Health Investment™ Program: Early interventions yield healthy returns.*
- 4 Reprinted from the website of Finally Fit, a Southern California-based corporation.