



MERITAINSM
HEALTH

Wellness

Make Wellness Work For You

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Make wellness work for you

For decades, the typical health insurance policy has focused on a specific subset of employees: those who get sick.

Today, more and more employers are introducing wellness programs to keep employees healthy—and make a difference before they encounter expensive claims or recurring medical services. In basketball, it would be called a full-court press; for employers, it's just common sense.

The reason for this shift in emphasis from chronic or acute care services to wellness is two-fold:

1. A renewed effort by employers to moderate the escalating cost of group medical insurance with a long-term focus on prevention and the cultivation of a healthier workplace
2. An increased concern for employees and its impact on productivity and absenteeism

Survey results

Three-quarters of employers now have a wellness program, according to a recent survey by the Hay Group, a Philadelphia-based consulting firm.¹

The business rationale is clear. Although claims expenses have moderated from the double-digit annual spikes of the past several years, there is no end in sight to overall cost increases for group medical insurance. Even in a good year, the increase in cost tends to exceed inflation by several times over. Therefore, if employers can trim some of their medical expenses, they will be in better financial shape down the road.

One way to do that is to reduce illness and injury caused by an unhealthy lifestyle. Another, says the Wisconsin Public Health & Health Policy Institute, is to zero-in on modifiable risk factors²—the outlay for which represents one out of every four healthcare dollars.

Return on investment

Why focus on essentially healthy people? The Wisconsin Public Health & Health Policy Institute cited a 2001 study by researchers at the University of Michigan³ which found that “increases in costs when groups of employees moved from low risk to high risk

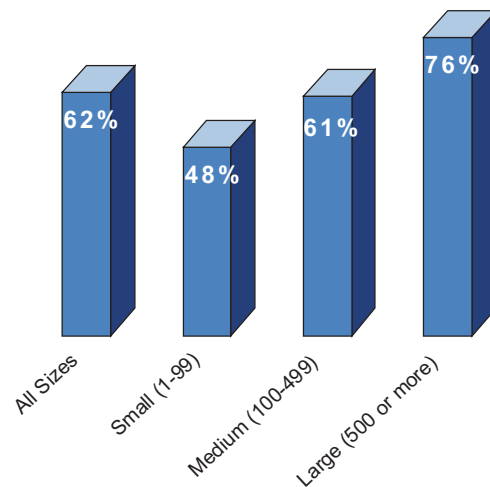
were much greater than the decreases in costs when groups moved from high-risk to low-risk.” Their conclusion: Programs designed to keep healthy people healthy will likely provide the greatest return on investment.

The average ROI for health and productivity management programs is 3 to 1⁴; however, those familiar with wellness programs stress the need for a long-term perspective. According to a survey of Human Resources executives conducted by Aon Consulting in 2005⁵, most respondents (52 percent) expect to achieve a return on their investment, but comparatively few (16%) anticipated a positive ROI in the first year. There are a few reasons for this: first, changes in human behavior take time; second, abnormal test results may trigger an initial wave of medical appointments, especially among those newly diagnosed, that would not otherwise have occurred without the wellness program. As a result, short-term ROI can often be skewed.

Although it is difficult to establish a cause and effect relationship for programs associated with prevention, some measurement indicators include:

- A high participation rate in the wellness program;
- A gradual reduction in health risk factors (e.g. high blood pressure, high cholesterol, diabetes, etc.);
- A drop in utilization of emergency room and office visits over time.

Percentage of Employers Offering Wellness Programs



What is a wellness program?

The goal of a wellness program is to lower the cost of employee benefits with sustained improvements in workers' health. Usually voluntary, they focus on development of employee awareness as a prelude to a change in behavior, if warranted.



City of North Platte

- > Adopted Wellness Program to Prevent Acute Illnesses
- > Meritain Health client since 2002

Deborah Murdock knows from firsthand experience how important wellness screenings can be in identifying a potential health problem. Just such a screening caught her husband Steve's dangerously low sodium levels—so low, in fact, that the wellness vendor called him personally with the results of his blood tests. "He urged my husband to get immediate attention," said Murdock, a payroll technician responsible for human resources activities for the city of North Platte, Nebraska. "My husband probably would have ended up in the hospital and on medication if it weren't for that advice," Murdock said. "I'm very glad the wellness program was in place."

Low sodium levels can indicate a potentially very serious problem because sodium is a major electrolyte and regulates the body's systems—particularly the heart. Two simple remedies—drinking a large quantity of Gatorade and eating salty food—recommended by their son, a doctor, corrected the problem. Murdock believes the low sodium level was related to an accidental fall from a roof that her husband experienced prior to his wellness screening.

Steve Murdock was eligible for the wellness program because the city of North Platte offered it to employees, their spouses, and dependents over the age of 18.

"Two years ago, the city lost several employees to cancer," Murdock said. "I wonder if their illnesses might have turned out differently if they had received early diagnosis and treatment."

For that reason, she was especially gratified to hear about an employee who, upon learning that she had a thyroid condition, saw her doctor soon after receiving the results of her blood tests. "The woman is now on medication," Murdock said.

The new wellness program is the latest example of the City of North Platte's emphasis on prevention. In addition to covering routine physicals under the medical plan, the municipality makes discounts available to employees and their families at a city-owned recreation center. Employees who use the pool and other facilities earn points toward a half-day off if they participate in running, swimming, weight loss, jazzercise, smoking cessation, or other programs that emphasize healthy behavior.

Keeping the municipality's medical claims expense in check is another reason the city introduced onsite testing and health risk assessments. "In meetings with every department we tried to explain to our employees why it's their responsibility to help keep costs down," Murdock said. "Encouraging them to have good health is less expensive for the city and better for them."

Murdock advertised the free voluntary program with payroll stuffers, letters, and posters. The response from employees was very positive, she said. Although a few expressed concern about confidentiality, in general, those who did not sign up were either on vacation or afraid of needles, she said. The city accommodated the latter by offering them certificates for comparable services at another location.

Next year, she expects the participation rate to be even higher. "Our employees now know their confidentiality will be respected," Murdock said.

A confidential health risk-assessment questionnaire, concerning his or her health habits and medical history, is often the first step. Next are: a battery of medical tests; health-related education and training, frequently in the form of e-newsletters; and, finally, one-on-one health coaching for those whose test results show a need for change because of potential or existing serious health risks.

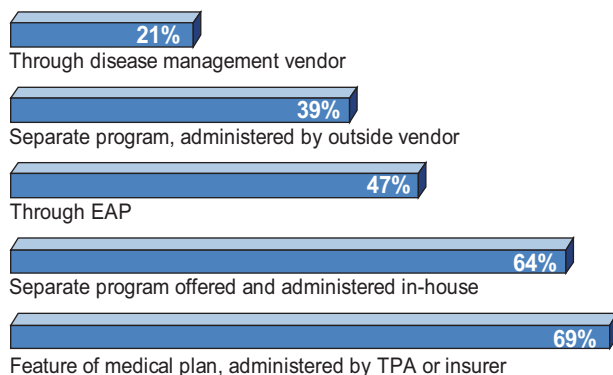
Typically, each participating employee receives an individual and confidential report with his or her test results, while the employer receives aggregate data on the participants as a whole. Some employers also use this data to refer at-risk employees to disease management programs.

The Deloitte Center for Health Solutions and the ERISA Industry Committee (ERIC)'s 2005 Wellness Survey found that most respondents had more than one wellness program—in fact, four was the average. Below is just a sampling of the programs they offered.

Wellness programs

- Smoking cessation programs
- Subsidized gym programs
- On-site workout facilities
- Health risk assessments
- Allowing employees work time to exercise
- Adding healthier foods to menus in cafeterias
- Diet counseling
- Employee diet groups
- Walking programs, flu shots, health fairs, etc.

How Employers Handle Wellness Programs

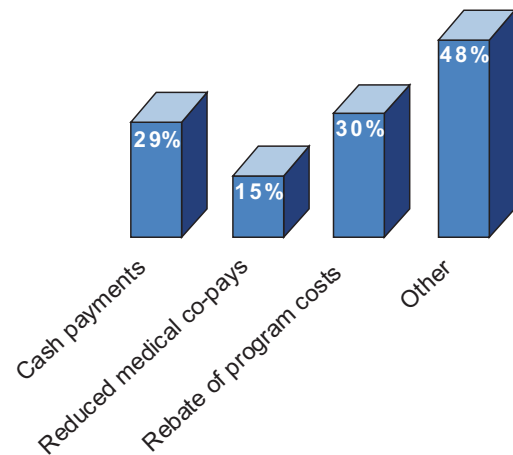


Incentives

Like many new products, wellness programs face some hurdles. A big one is employee resistance or inertia. According to Deloitte's 2005 Wellness Survey, a majority (61 percent) of respondents said a participation rate of less than 25 percent in any of the wellness programs they offered was standard. To overcome that, many (47 percent) offered financial incentives. Usually, the Deloitte survey found, these incentives fell into the following categories:

- Cash payments
- Reduced medical co-pay costs
- Rebate of program cost
- Flexible Spending Account deposits
- Gift cards, merchandise, prizes, etc.

Incentive to Participate in Wellness Programs



According to the Hay Group study⁶, roughly one out of five (18 percent) employers awarded cash or made a deposit to participants' flexible spending account (FSA) or health reimbursement arrangement (HRA). The purpose of these incentives was to persuade employees to complete a health risk assessment. Another 17 percent offered a financial bonus to join other wellness programs. The breakdown was as follows:

- Cash (13 percent)
- Gift certificates and discounts on merchandise (10 percent)
- Days off (7 percent)
- Reduced medical premiums (6 percent)
- FSA or HRA credits (5 percent)

Tax consequences

Before offering a financial incentive, benefit managers need to be mindful of the tax consequences of incentive-based wellness programs. These consequences could distract from their appeal. Employees will need to pay taxes on cash, gift certificates, employer subsidies of exercise equipment and health magazines, as well as reimbursements for the cost of gym memberships, weight management classes, and nutrition classes for general health improvement.

However, taxes do not apply to lowering employee contributions to premiums; memberships, equipment, and classes prescribed by a physician; employer contributions to a flexible spending account (FSA), health savings account (HSA), or health reimbursement arrangement (HRA); gym or exercise facilities and classes that are onsite; and reimbursements for the cost of disease management or smoking cessation programs.

Wellness programs and HIPAA

It is not enough for wellness programs to comply with tax laws. They must also agree with the Health Insurance Portability and Accountability Act of 1996 (HIPAA), which governs patient privacy in healthcare. This federal law also requires portability and continuity of health coverage and prohibits discrimination in health coverage based on health status. In December 2006, the Departments of Labor, Treasury, and Health and Human Services issued final HIPAA nondiscrimination and program regulations. The new rules apply to group health plans and are applicable to plan years beginning on or after July 1, 2007.

The final regulations define a wellness program as any program designed to promote health or prevent disease. However, to be subject to these rules, a program must offer a reward to individuals that have satisfied a standard related to a health factor. The regulations do not apply to programs offering rewards based only on participation.

Requirements for a wellness program

Overall, a wellness program must:

- Offer a limited reward or discount; the discount may apply to a reduction in the employee's health insurance premium; it can also be a

rebate or waiver of all or part of an employee's out-of-pocket contribution (deductible, copay, or coinsurance) or the absence of a surcharge. The reward may not exceed 20 percent of the cost of employee-only coverage (even if the employee has family coverage). However, if other family members are eligible for the wellness program, the 20% limit should be based on the cost of family coverage.

- The reward must be offered to all similarly situated employees. If it is unreasonable difficult or medically inadvisable for a participant to satisfy the initial program standard, the program must have a reasonable alternative standard.
- The wellness program must give participants the opportunity to qualify for the reward at least once per year
- The wellness program must be reasonably constructed to promote good health and disease prevention (e.g. the program extends premium reductions to participants who attain a cholesterol count of less than 200).
- All plan materials describing the wellness program must disclose the availability of a reasonable alternative standard; the regulations contain model language regarding this disclosure.

Effective Date

No final rules have been issued since the proposed regulations on bona fide wellness programs came out in 2001. However, final regulations have gone through the clearance process and may be released in the fall of 2006, according to Russ Weinheimer, senior counsel in the IRS's Office of Chief Counsel. Until then, employers are expected to act in good faith and comply with the proposed rules.

Awareness and employer communication strategies

Like any new product, wellness programs have to compete for the attention of employees. Incorporating these programs into a company medical plan or an overall benefits package is no guarantee of employee participation. They must be promoted.

Among “the cost-control strategies generating the greatest interest for implementation in 2007 are establishing a wellness communication campaign,” Aon reported.⁷



Taco John's

- > Increase participation by offering incentives.
- > Meritain Health client since 2004; Taco John's has 425 locations in 26 states.

When Taco John's International introduced its wellness program to employees, the promotional campaign possessed all the ingredients for a successful and healthy launch: executive leadership, a financial incentive, and healthy eating habits.

Timing of the announcement coincided with an all-staff meeting presided over by the company's chief executive officer, who encouraged employees to take advantage of the new benefit.

Taco John's, which operates and franchises more than 425 quick-service restaurants in 26 states, sweetened the program's appeal by offering employees a \$50 bonus if they participated in the voluntary health risk screening and onsite testing.

Kickoff of the program occurred at the same time as the start of the company's summer hours and during a brown bag luncheon on healthy eating, organized by the company's Employee Assistance Program. Employees who attended the session also got a chance to eat and prepare their own meal, based on the tips they learned.

Last but not least, the wellness program's emphasis on prevention “fits in perfectly with our benefits philosophy and corporate culture,” said Stephanie Gooden, manager of human resources for Taco John's International, which specializes in quick-service Mexican food. The company's support of healthy behavior has as many ingredients as a taco:

- Employees receive discounts on health club memberships in its headquarters city of Cheyenne, Wyoming.
- Employee appreciation day centers around physical activities, such as swimming and golf.
- The HR department has promoted the benefits of walking regularly by giving pedometers to employees.

Furthermore, earlier this year, Taco John's added several new features to its group medical plan to encourage good health. The new benefits include coverage for diet medication, office visits for weight control, and visits to a nutritionist.

In short, the company's wellness program is very much in sync with the human resources department's informal strategy to check rising healthcare costs by alerting employees to potential medical problems that could be corrected with a change in behavior. So when the department sent out an email with a toll-free number for employees to make appointments for their individual health assessment and testing, “everyone got excited,” Gooden said. “The response to the wellness program exceeded our expectations. Our employees especially liked the convenience of onsite testing. Several people told me they hadn't had blood work done in years. This time there was no excuse not to do it.”

Equally important, after the results came in, several employees informed the human resources manager they planned to call about health coaching, a service of the wellness program, to help them manage their weight or lower their blood pressure.

Next year, Gooden said, Taco John's plans to offer the program to spouses as well.

Here are some tactics to introduce/promote a wellness program:

- A letter or email from upper management that explains the background and purpose of the program, how it works, and how individual privacy will be respected. Make it clear that management will see aggregate, not individual, test results and that respect for employees' privacy is a requirement of federal law.
- A logo or program name to build recognition when referring to the program.
- A flyer or brochure, which explains how the program works, describes any incentives, and gives a toll-free number for employees to make an appointment for onsite screening and a health risk assessment. These flyers can be used as payroll stuffers or be mailed to employees' homes.
- To build traffic and piggyback on another event, schedule the onsite screening and health risk assessment during an annual health fair or open enrollment period. Use this opportunity to remind employees about program incentives, such as cash rewards, healthcare discounts or premium reductions.
- Promote the program in the company's employee newsletter or over the Intranet.
- Send postcards home to those who have registered for the health assessment and screening; include a reminder to fast on the day of the tests.
- Take advantage of the company's Intranet or company website. "Since web communication is 'real time' and can be updated without reprinting large documents, the web allows employers to communicate more frequently and on-demand. Web-based communications are most often used for transactions or for accessing reference information, including benefit programs⁸."

Ongoing communications

Make sure your wellness program vendor sends targeted health messages, follow-up emails, and e-newsletters to those who have a specific health condition or who are at risk for heart disease, diabetes, high blood pressure, etc.

The importance of sustained communication is clear from a study by Canadian researchers at the University of Alberta.⁹ Over a three-month period, Dr. Ron Plotnikoff and colleagues sent weekly e-mail reminders to volunteers at five large Canadian workplaces who were participating in a larger study about exercise and health. The researchers found that those who received the e-mail reminders tended to exercise more and were more cognizant of the health advantages than those who did not. In addition, their body mass index, a measure of body fat based on height and weight, improved. By comparison, those who did not receive the e-mails put on weight during the study.

An "Employer's Guide to Health Improvement and Preventive Services" is available from the National Business Group on Health and the Agency for Healthcare Research and Quality. The purpose of the manual is to help employers identify the specific needs of their employees and then introduce preventive services to meet those needs.

www.businessgrouphealth.org/services/4_part_guide.pdf

Making wellness work

As companies explore strategies to combat rising healthcare costs, wellness programs are becoming an employer's best defense—against both direct healthcare costs and indirect costs such as lost productivity and employee absenteeism.

Meritain Health offers employee health screenings at the worksite and health coaching by phone, helping employers ward off potentially high claims by uncovering chronic health conditions early. But don't take our word for it. See what our customers have to say about the value of our wellness programs on pages four and seven.

About Meritain Health

Meritain Health is the country's largest independent manager of health benefit plans, offering employers comprehensive, integrated wellness and cost management services. Health benefit costs continue to increase at uncontrolled rates, and employers place a high value on a health benefits manager who can help control these costs. At the same time, employees need an affordable, user-friendly, high-touch healthcare experience.

A Total Solution to Employers' Health Benefit Requirements

Meritain Health services are comprehensive, fully integrated and customized to each client's unique needs.

Comprehensive Services

- Consultation and innovative plan design.
- Healthy MeritsSM wellness and incentives programs.
- Long-term cost management solutions.
- URAC-accredited medical management programs.
- Multi-media employee education.
- High-touch member services.
- Efficient plan administration.
- Pharmacy benefits management.
- PPO administration.

Employee Wellness, Education and Communication

Meritain Health is an industry leader in promoting healthy lifestyles for employees. Healthcare industry experience and research has shown that health and wellness programs are critical drivers in creating health-conscious members. The Meritain Health Healthy MeritsSM wellness and incentive programs provide employee health screenings and assessments, smoking cessation programs, weight loss programs, and online health education and decision-support tools. These, and other program components, are fully integrated with an employer's overall health benefits plan.

Meritain Health also delivers triple-URAC accredited in-house medical management programs. These programs, which incorporate personal health coaching, online wellness tools and informational mailings, improve employees' abilities to select effective, appropriately priced healthcare services.

This, in turn, leads them to become more independent, knowledgeable healthcare consumers.

Customized, Flexible Plan Design

Meritain Health consultants are knowledgeable, experienced industry professionals. Working closely with clients and their brokers, Meritain Health consultants design customized benefits plans that include innovative cost-management strategies and support the client's short and long-term goals. As the pioneer, and now the leading independent provider of Consumer-Directed Health Plans (CDHPs), Meritain Health proudly offers these plans, as well as traditional PPO plans, for incorporation into flexible plan designs. Throughout the plan year, Meritain Health consultants monitor plan activity and results, routinely meeting with clients to review plan reports and analyses. By developing lasting client relationships, they are able to identify opportunities and formulate recommendations to strengthen plan performance.

Meritain Health History and Operations

Meritain Health has been exceeding the expectations of clients for more than 30 years. As the country's largest independent provider of services for self-funded health plans, Meritain Health has more than 1,400 clients with over a million plan participants in all 50 states. To serve these clients, the company has offices in 28 cities and more than 1,350 employees.

For more information, visit www.meritain.com.

About the Author



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Chief Medical Officer

Dr. Larry Luter is Chief Medical Officer of Meritain Health. With an extensive clinical background and 10 years experience in medical management, Dr. Luter most recently served as Senior Medical Director of CIGNA HealthCare of Florida, where he chaired the quality and credentials committees and was a member of the local management forum that conducted all prior authorizations for the state of Florida. Prior to this, he was the Medical Director for AvMed Health Plan in Florida with responsibilities in member advice, emergency admissions, homecare, skilled nursing facilities and disease management. Dr. Luter retired from the United States Navy Medical Corps in 1992 after working as head of the Family Practice Department and serving as the Director of Medical Services at the Naval Hospital in Orlando, Fla. He received his M.D. from the University of Texas Medical School.

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