Employee Incentives

Motivating Hospital and Healthcare Employees to Achieve Wellness.
# Table of Contents

The Health of Americans Must Be Addressed .................................................. 3

Wellness Programs Are Important to Hospitals and Healthcare Systems ........................................ 3

  Incentives influence behavior change and boost employer savings .................................................. 3

The Psychology Driving Incentives .............................................................................. 4

Incentives and Health Assessments .............................................................................. 4

Incentive Type Influences Employee Buy-In ........................................................................ 5

The Importance of Communication .............................................................................. 6

Complying with HIPAA ............................................................................................ 6

  Participation-only programs ......................................................................................... 7

  Standard-based programs .......................................................................................... 7

Incentives Make the Difference .............................................................................. 8

About Meritain Health ............................................................................................ 8
The Health of Americans Must Be Addressed

As a country, our health is decreasing. In 2012, one-third of the more than 500,000 cancer deaths expected to occur will be related to overweight, obesity, physical inactivity and poor nutrition. \(^1\) The lack of healthy habits in the United States is taking its toll and weighs heavily on employers; healthcare benefit costs per employee rose 6.1 percent in 2011. \(^2\)

Good health is especially important for hospitals and healthcare systems, since they stand as a symbol of wellness in our communities. Not only does the good health of hospital employees set an example to others, the staff’s wellness directly affects their productivity and the quality of services delivered to patients.

Wellness Programs Are Important to Hospitals and Healthcare Systems

Wellness and disease management programs have been accepted as a popular solution to help employees achieve and maintain good health. Healthier hospital employees not only save their employers money on the price of benefits, but also allow for the continuation of successful, valuable healthcare services to the community.

Incentives influence behavior change…

Motivation is necessary to engage participation in wellness programs. Incentives are an important piece of the healthcare budget puzzle, providing the motivation employees need for positive behavior change and health improvement; more and more, employers are using this method. A 2010 survey of hospitals conducted by the American Hospital Association (AHA) determined that, of the 876 hospitals surveyed, 66 percent offered incentives to encourage wellness program participation. \(^3\)

…and boost employer savings

As employee participation in wellness programs increases, so does the chance for these programs to accomplish their proposed goal: to reduce employer spending through healthier employees. As indicated by a recent study published in Population Health Management, companies who offer incentives to bolster wellness program participation experience annual healthcare cost increases that are 50 percent less than market trend. \(^4\)

Incentive Program Checklist

When designing an incentive program, incorporate these critical steps for success:

- Be sure to have a clear and logical purpose for promoting an incentive.
- Create the program with a simple design and easy administration.
- Set goal dates for performance evaluation.
- Make sure the rules are straightforward and perceived as fair.
- Have an effective use of communication to engage participants.
- Design a clear outline of specific tasks that need to be completed for participation.
- Distribute ongoing program reminders.
- Be sure the program has equitable access (non-discriminatory to individuals or groups).
- Include desirable rewards to motivate action.
- Align the program with business objectives and corporate culture.
- Obtain buy-in from the CEO down through other executives.
- Use a more personalized outreach for at-risk departments.
The Psychology Driving Incentives

The most successful wellness and incentive plans are available to all members of an employee population, but have measures in place to target those employees with the most to gain from participation. The health improvements of these employees, in turn, save their employers on future costs caused by untreated and worsened health conditions.

Incentives and Your Employee Population

Voluntary Program
With a voluntary program and no incentives, the first two people in this population will participate. These are the people who already have healthy habits and will be healthy no matter what type of program is implemented.

Moderate Incentives
When a program with moderate incentives is implemented (for example FSA dollars), participation will increase through the first six people. Now the participants will include the healthy population as well as those who have some wellness issues but do an OK job of managing them.

Significant Incentives
When a program is implemented with a significant incentive (for example a $150 payroll differential), the last portion will start to be enticed and become more likely to participate. These are the people that absolutely need to be targeted. They have highly unmanaged chronic conditions and are on the verge of becoming the next high-cost, high-risk cases in the health plan. This group is where the employer will gain the highest ROI.

In an employee population, there are people who are currently well; people who are currently at-risk or high-risk, who need to take immediate action to prevent illness; and employees with chronic or acute disease. For most employers, creating participation among the last group is the biggest challenge.

People who are currently well have done a good job managing their health and are looking for validation and credit. It’s easy to capture this segment of the employee population, since they possess a natural tendency to enroll in wellness programs, whether or not incentives are offered.

An incentive program should strive to target the employees who are at-risk or are currently ill. These people typically know who they are and opt not to participate in wellness programs, generally because they believe they will receive unwanted, intrusive telephone calls about their health risks and conditions. This is the group employers need to motivate. Participation in a disease management program—as well as a wellness program—can help this segment of the employee population. Disease management helps them focus on one disease state; wellness programs provide them with support beyond that disease. Participation in both disease management and wellness programs by at-risk and currently ill employees can generate the highest return on investment (ROI), proportional to the level of participation.

Incentives and Health Assessments

Completion of a health assessment is a good first step in the engagement of an employee in a wellness program, helping to uncover hidden medical and behavioral health risks before they can grow into health issues. Health assessments help provide a solid starting point for possible wellness intervention and are more incentivized than any other wellness program component: 67 percent of hospitals in the AHA study offered incentives for participation. 5
Incentive Type Influences Employee Buy-In

Not only are incentives appealing to employees, the type of incentive selected is especially important. Although many different options exist, most incentive offerings can be classified as either positive or negative. A positive incentive, often termed a “carrot,” can be either cash-based (such as a direct cash payout) or non-cash-based (merchandise or a gift card).

Cash can be compelling. The 2010 MetLife Study of Employee Benefit Trends determined that although 70 percent of employees who participate in wellness programs are looking to improve their health, 50 percent agree that financial rewards encourage their participation. 7

Examples of a negative incentive, also called a disincentive or “stick,” include health benefit premium increases. The majority of hospitals in the AHA study opted for positive incentives. Negative incentives were not as commonly used. 8

Wellness Activities Linked to Incentives

In addition to completing a health assessment, hospitals in the AHA study opted to offer incentives for participation in several other wellness activities. Other commonly incentivized wellness components included participation in a weight management program and completion of a biometric screening. 6

![Bar chart showing participation rates for various wellness activities](chart.png)

Source: American Hospital Association, A Call to Action: Creating a Culture of Health, 2011

Health Assessment Results

Meritain Health’s 2011 Worksite Health Screening Study used health assessments and biometric results to identify the following in its study participants:

- $74 million total potential unmanaged medical costs, increased from $18 million in 2006
- 40.6 percent identified with medical conditions that merited referral for follow-up, decreased from 56 percent in 2010
- 13.6 percent at risk of a heart attack over the next 10 years
- 36.5 percent actively taking steps to improve their health

Health assessments play a crucial role in identifying where the company can best place incentives and reduce risks in upcoming years. The following incentives could benefit employees in the Worksite Health Screening Study sample:

- $0 copays for attending preventive screenings
- Reimbursement of monthly gym membership fees
- Reduced copays for cardiac medications for those members at risk of a heart attack
- Reduced premiums for improvements in follow-up lab results
- Free generic treatment medications to employees with a particular chronic disease

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The Importance of Communication

To help encourage employee participation in wellness programs, communication surrounding program details and available incentives is imperative. Printed materials, such as welcome booklets, informational flyers, paycheck stuffers and posters can provide notification of upcoming wellness events. Electronic materials and notices can be sent out through company email, posted on the corporate intranet or mentioned in the corporate newsletter. It can also help to conduct open enrollment meetings or periodic company-wide meetings, where employees can ask questions and get more information about how wellness programs work and what incentives are available for participation. Don’t underestimate the power of the spoken word. Along with paper and electronic announcements, delivery of the message by CEOs, managers or supervisors ensures that employees understand clearly how and why to participate in programs.

Complying with HIPAA

One of the most important factors for employers to consider in designing and implementing an incentive or rewards program is ensuring that the program is in compliance with the Health Insurance Portability and Accountability Act of 1996 (HIPAA), which, in part, governs patient privacy in healthcare.

Under HIPAA, rules and regulations for incentives and rewards can be divided into two categories: participation-only programs and standard-based programs.

Carrot vs. Stick: What works?

Positive and negative incentives are tools that motivate hospital employees to participate in wellness programs. They may be used to encourage such activities as completion of a health assessment or discourage unhealthy behaviors such as smoking. An increase in premiums is a common form of negative incentive.

**Common positive incentives include:**
- Reduced premiums, deductibles, copays or coinsurance.
- Direct cash payout.
- Contribution to HSA, HRA or FSA.
- Gift certificate or gift card.
- Merchandise or merchandise discounts.
- Free or discounted generic drugs.

Which approach is more effective at inspiring behavior change: the carrot or the stick? Rather than molding an entire program to one extreme, understanding the hospital’s employee demographics is the best way to ensure return on investment on wellness program costs.
Participation-only programs

Participation-only programs can be classified as wellness programs that do not reward participants based on health-related factors. Programs that do not base eligibility for an incentive upon a participant’s ability to meet a health requirement are allowed as long as the program is made readily available to all individuals.

According to the National Business Group on Health (NBGH), health-related factors can include, but are not limited to, obesity, unfavorable cholesterol test results and eating disorders. Health-related factors can also be defined in a number of ways including the following: medical conditions (including both physical and mental illness), claims experience, receipt of healthcare, medical history, genetic information, evidence of insurability and disability.

Examples of participation-only programs include:

- Incentives to participate in a health fair or testing (regardless of outcome).
- Waivers of copay/deductible for well-baby visits.
- Reimbursements of health club membership.
- Reimbursements for smoking cessation programs (regardless of outcome).
- Rewards for attending monthly health education seminars.

Standard-based programs

Standard-based wellness programs that require participants to meet standards related to health factors in order to receive rewards can be permissible; however, they must meet the following requirements:

- The reward must be no more than 20 percent of the cost of employee-only coverage.
- The program must be designed to promote health or prevent disease.
- The program must give individuals an opportunity to qualify for the reward at least once a year.
- The reward must be available to all similarly situated individuals while providing a reasonable alternative standard for attaining the reward to those who cannot participate due to conditions.
- All plan materials must disclose that alternative standards or waivers are available.

Examples of standard-based programs include:

- Giving employees a price reduction on their premium if they score a certain number of points on a health assessment.
- Waiving the deductible for employees who improve their health assessment score by a certain number of points per year.
- Charging employees who use tobacco more for their health insurance premium than those who do not use tobacco.

Under HIPAA rules, if a member cannot achieve a standard for rewards under the wellness program due to a medical condition, a reasonable alternative must exist in order to accommodate the needs of this member.

Examples of a reasonable alternative include:

- Offering employees a price reduction on their premium for participation in a health assessment, regardless of the score they achieve.
- Giving employees a percentage discount off their premium if they can show they are complying with doctor’s requirements to lower cholesterol. (This would be in place of offering the reward for cholesterol levels that test within a certain range.)
- Giving tobacco users a percentage discount for completing an approved tobacco cessation course, regardless of whether or not they quit using tobacco as a result of the course.
Healthcare Reform and Wellness Program Incentives

The Affordable Care Act includes provisions to develop and support worksite wellness programs. In 2014, limits on wellness program incentives were increased from 20 percent to 30 percent of the cost of individual or family healthcare premiums. The reward may be increased to 50 percent for wellness programs designed to prevent or reduce tobacco use.

Incentives Make the Difference

Hospitals and healthcare systems that choose to use incentives in conjunction with their employee wellness and disease management programs can expect to see successful outcomes. Incentives can positively influence employees’ adoption of healthy behaviors, helping the facility to promote an image of good health in the community and provide its patients with the highest level of care. Healthier workers also help save their employers on hefty medical costs down the road.

About Meritain Health

Meritain Health, an independent subsidiary of Aetna, is one of the nation’s largest administrators of health benefits. We offer the resources of a national carrier and the unmatched flexibility and service of an independent, local administrator. Our approach provides employers with cost-effective plan administration within a custom framework of variable networks, industry-leading products and services, and cost management strategies.

For more information, visit www.meritain.com.
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