Make Wellness Work for You

Building an effective wellness strategy.

A White Paper by Meritain Health
# Table of contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>The state of health and healthcare in the U.S.</td>
<td>3</td>
</tr>
<tr>
<td>The high cost of being unhealthy</td>
<td>3</td>
</tr>
<tr>
<td>The advantages of healthy employees</td>
<td>3</td>
</tr>
<tr>
<td>Employee perception adds to engagement</td>
<td>4</td>
</tr>
<tr>
<td>More and more employers agree—wellness programs are here to stay</td>
<td>4</td>
</tr>
<tr>
<td>Building an effective wellness strategy</td>
<td>5</td>
</tr>
<tr>
<td>Choosing wellness program components</td>
<td>5</td>
</tr>
<tr>
<td>What employees want—versus what employers provide</td>
<td>6</td>
</tr>
<tr>
<td>Impact of wellness programs on annual healthcare costs</td>
<td>7</td>
</tr>
<tr>
<td>Wellness programs and HIPAA</td>
<td>7</td>
</tr>
<tr>
<td>Return on investment</td>
<td>7</td>
</tr>
<tr>
<td>Healthcare reform and wellness</td>
<td>8</td>
</tr>
<tr>
<td>Increasing wellness program success</td>
<td>9</td>
</tr>
<tr>
<td>A word about incentives</td>
<td>10</td>
</tr>
<tr>
<td>Tax consequences</td>
<td>10</td>
</tr>
<tr>
<td>Make wellness work for you</td>
<td>10</td>
</tr>
<tr>
<td>About Meritain Health</td>
<td>10</td>
</tr>
<tr>
<td>Reference list</td>
<td>11</td>
</tr>
</tbody>
</table>
The state of health and healthcare in the U.S.

The overall state of health in the United States is ominous: as reported by the Centers for Disease Control and Prevention, almost 50 percent of all annual deaths are caused by heart disease and cancer. 1 And two precursors for these conditions are obesity and tobacco use: one-third of all adults in the U.S. are obese, as well as 17 percent of youths. 2 Obesity and tobacco use are highly prevalent within the American workforce, too. According to a recent study by Towers Watson, of companies surveyed, 36 percent of employees across all industries were obese, while 13 percent used tobacco. 3

Obesity and tobacco use by industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Obesity (%)</th>
<th>Tobacco (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All companies</td>
<td>36%</td>
<td>13%</td>
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<tr>
<td>Energy</td>
<td>43%</td>
<td>12%</td>
</tr>
<tr>
<td>Wholesale and retail</td>
<td>39%</td>
<td>24%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>38%</td>
<td>15%</td>
</tr>
<tr>
<td>Public sector and education</td>
<td>38%</td>
<td>9%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>36%</td>
<td>8%</td>
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- Percentage of employees with BMI over 30 kg/m²
- Percentage of employees using tobacco

The high cost of being unhealthy

The cost of healthcare continues to grow right along with Americans’ waistlines and unhealthy habits. According to a recent study by Pricewaterhouse Coopers, employer healthcare costs for active employees are expected to rise 6.5 percent in 2016. 4 Obesity helps drive this total up: recent estimates of the annual medical costs of obesity are as high as $114 billion. 5 And that pales in comparison to the healthcare costs associated with tobacco use—the Department of Health and Human Services estimates that smoking-related illnesses cost the United States more than $300 billion each year. 6

The advantages of healthy employees

Healthy employees benefit their employers in two ways: first, they help keep the company competitive in today’s market. Why? Because when employees feel better and have fewer ailments, they are able to be more engaged at work. This can help improve productivity. Second, healthy employees often spend less on healthcare. Since healthcare benefits account for 32 percent of the total cost of employee benefits, it’s extremely important to a company’s budget to improve the health of its employees. 7

A well-executed wellness strategy provides the information, support and motivation employees need to achieve and maintain good health. It also adds to the value of the benefits package and helps demonstrate to employees that their employer cares about their health and well-being. All of these things affect a company’s success in the marketplace.
Employee perception adds to engagement

The level of job satisfaction employees experience is a factor in their engagement and productivity. And a valuable benefits package can help. According to a recent study by Quantum Workplace and Limeade, employees surveyed reported that they are more likely to be engaged at work when their employer provides health and well-being benefits. 8

Employee engagement and productivity

When employees believe their employer cares about their health and well-being, they are:

- 38% more engaged
- 10x less likely to be hostile
- 17% more likely to still be working there in one year
- 28% more likely to recommend their workplace
- 18% more likely to go the extra mile for the organization

Quantum Workplace in partnership with Limeade, Workplace Well-Being

More and more employers agree—wellness programs are here to stay

Wellness programs give employees a means to improve their health, and also help to prove their employer has made an investment in their future. This perception can add to a positive employee experience. And many employers are on board with this concept: according to a recent study from the Society for Human Resources Management, 67 percent of employers offered a wellness program in 2014 (up from 57 percent in 2012).

The benefits of wellness are clear, and implementation is going strong. 9

Percentage of employers offering a wellness incentive or reward

- 67% in 2014
- 56% in 2013
- 57% in 2012

Society for Human Resources Management, SHRM Survey Findings: 2014 Strategic Benefits—Wellness Initiatives
Building an effective wellness strategy

Wellness programs are traditionally designed to promote wellness and educate employees regarding ways to live a healthier lifestyle. Program designs can include clinical screenings, self-reported health assessments, online health portals and wellness coaching. Components that help employees lose weight, learn about nutrition and quit smoking are especially beneficial. In addition, it can help employers’ Return on Investment (ROI) to combine a disease management initiative with the wellness program (see the Return on Investment section for more insight).

Choosing wellness program components

So, when designing a wellness plan, which programs and services should employers include? A recent study by The RAND Corporation indicated the effectiveness of various common program components. These included:

- Health assessments.
- Biometric screenings.
- Fitness activities.
- Smoking cessation support.
- Weight management resources.
- A disease management program.

The below chart shows employee participation rates and the effectiveness of program components as shown by the RAND study.¹⁰

Average employee participation rates in select wellness program components

According to RAND, the highest rates of participation are seen in screenings. This is reassuring, since alerting employees to individual healthcare needs is an important step in an effective wellness strategy. To this end, employers commonly offer biometric screenings or health assessments as an initial level of wellness intervention. Then, other components are added to the wellness program to support employees in healthy behavior change.

The RAND study showed lower participation rates for intervention programs. This indicates a good opportunity for employers to promote these services and encourage employee engagement and participation.
When adding components to the wellness program, it's helpful to know what employees need (based on screenings and assessments) but also what they want. The Quantum/Limeade study uncovered employees’ opinions about components they feel are important, falling under the categories of stress management, healthy eating guidance and fitness resources. It gives an interesting insight into possible additions or adjustments employers can make to tailor their wellness strategy and improve employee engagement.

### What employees want—versus what employers provide

<table>
<thead>
<tr>
<th>Employees want benefits that focus on their mental health</th>
<th>Healthy food options are important to employees</th>
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<tbody>
<tr>
<td>76.7% of employees want time off to recharge.</td>
<td>73.7% want healthy options in the cafeteria and vending machine.</td>
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<td>45.3% of employers offer this benefit.</td>
<td>45.6% of employers offer healthy choices.</td>
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<td>24.6% want support groups.</td>
<td>47.3% want information on making healthy food choices.</td>
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<td>15.4% of employers offer them.</td>
<td>46.7% of employers offer this information.</td>
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<tr>
<td>21.1% want on-site or call-in coaching.</td>
<td></td>
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<tr>
<td>34.5% of employers offer this option.</td>
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</tbody>
</table>

### Employees care about their physical well-being

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<thead>
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<th>50.3% want an on-site fitness center.</th>
<th>49.8% want time for healthy activities at work.</th>
</tr>
</thead>
<tbody>
<tr>
<td>35.1% of employers provide them.</td>
<td>23.2% of employers offer it.</td>
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<td>45.4% want discounts at local health clubs.</td>
<td>43.6% of employers offer discounts.</td>
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<td>18.6% want company-wide exercise challenges.</td>
<td>37.7% of employers provide challenges.</td>
</tr>
</tbody>
</table>

*Quantum Workplace in partnership with Limeade, Workplace Well-Being*
Impact of wellness programs on annual healthcare costs

How much can wellness programs actually help employers save? According to the RAND study, employers feel that wellness programs help to “reduce medical cost, absenteeism and health-related productivity losses” among employees. The study included statistical analyses of employee participation in a wellness program over five years. The estimated cost savings per employee participating in the corporate wellness program is $157 per year. 12

**Estimated cumulative effect of wellness program participation on total monthly medical costs**

The RAND Corporation, Workplace Wellness Programs Study, 2013

Wellness programs and HIPAA

Beginning in December of 2006, HIPAA law mandated that wellness programs offering rewards for achieving specific health standards follow a series of requirements. These wellness programs must ensure that rewards are offered yearly, to all similarly situated employees, and must be limited to no more than 30 percent of the cost of employee-only coverage. The reward may be increased to 50 percent for wellness programs designed to prevent or reduce tobacco use. Discounts can consist of a reduction to benefits premiums or a waiver of some, or all, of the employee’s out-of-pocket contribution to a deductible, copay or coinsurance. Wellness programs must promote good health. Materials related to the program must provide information about a reasonable alternative to participation in the wellness program.

For more information about HIPAA, wellness program requirements and other governmental regulations, please visit [www.meritain.com](http://www.meritain.com).

Return on investment

A 2014 news brief from the RAND Corporation yielded current information about the ROI employers might expect to realize by implementing a wellness program. 13 According to this study, the overall ROI of the groups analyzed was $1.50 for each dollar spent on wellness. This savings was from the combined effects of lifestyle management and disease management programs: 87 percent of savings was due to disease management, while 13 percent was due to lifestyle management. The study did report, however, that lifestyle management programs that help employees address factors such as obesity or smoking helped improve productivity and reduce absenteeism. And disease management programs led to substantial financial impact.
Healthcare reform and wellness

Through the national effort to improve American healthcare benefits, the Affordable Care Act (ACA) includes provisions to develop and support worksite wellness programs.

Businesses with fewer than 100 employees working at least 25 hours per week can receive governmental grants to help implement a worksite wellness program. The company does not need to have a program already in place when they apply.

A worksite wellness program must include:

- Health awareness initiatives, such as preventive screenings.
- Methods to encourage employee participation.
- Programs and services to support healthy behavior change.
- Supportive work environment policies, such as healthy eating or physical activity.

Beginning in 2014, limits on participation incentives will be increased to 30 percent of the cost of individual or family healthcare premiums, up from 20 percent.

Businesses will be supported by the Centers for Disease Control and Prevention (CDC), providing technical assistance with, among other items, measuring and increasing employee participation.

ACA will require annual quality of care measurement reports to be submitted to enrollees of the wellness program, as well as to the Secretary of Health and Human Services.

ACA’s provisions demonstrate our government’s perceived values by helping workers achieve and maintain wellness, especially through incentives for wellness program participation. Increased support like this allows employers to help employees get and stay well, to reverse the growing price tag placed on the care of unhealthy workers.
Increasing wellness program success

Like any new product, wellness programs have to compete for the attention of employees. Including these programs in a company medical plan or benefits package is no guarantee of employee participation. That’s why employee wellness programs must be promoted.

To help increase employee buy-in, employers must take steps to communicate the wellness program and get employees excited about it. Any of the following strategies can be used to help build employee engagement:

+ **Encourage participation at all levels of the company.** Employees shouldn’t be the only people who attend wellness activities. When leaders—such as middle managers and C-suite executives—participate, it can be encouraging to the entire company.

+ **Design the program to fit your unique needs.** Wellness programs are not “one size fits all.” So when designing yours, determine the needs of your workforce and include programs and tools that can help your population. (It can help to incorporate biometric screenings or health risk assessments as part of your strategy to uncover population needs.)

+ **Make changes and adjustments.** To keep your program successful and maintain employee interest, you’ll want to evaluate it on a regular basis. What did employees like, or not like? What activities are they interested in? You can learn this by conducting surveys and communicating with staff.

+ **Appoint a wellness team.** This should be a group of individuals from all levels of the company who meet regularly. Their main goal? To keep the company invested in the program and informed about upcoming wellness events. They can also serve as contacts when employees have questions about the program.

+ **Communicate the program through multiple methods.** You should be prepared to spread information about the wellness program through any means possible. This includes print, email, intranet, social media and trinkets. Be sure to tell employees what’s in it for them and make it personal by sharing success stories, when appropriate.

+ **Improve access to wellness resources.** Employers can improve employee participation in the corporate wellness program through additional wellness channels. And an up-and-coming method is to integrate emerging technology. For example, employers can utilize anything from healthcare applications for smart phones, to wearable health and fitness tracking devices, to social media and the company intranet. The more ways employees can access wellness information and support, the more likely they’ll be to participate in actions for health management and improvement.

+ **Offer valuable incentives.** Though you can use rewards or penalties to encourage participation, 69 percent of employers (per the RAND study) opt for rewards. Also per this study, four out of five employers used financial rewards. Often, the financial incentives that are most successful in encouraging employees are related to healthcare and include:
  - Premium reductions or credits.
  - Money deposited into healthcare accounts (FSA, HRA or HSA).
  - Money deposited into employee paychecks.
  - Paid time off.

+ **Don’t give up.** If participation starts out strong, but begins to dwindle, don’t let the wellness program get pushed to the back burner. Rekindle your efforts by releasing new communications, challenges or information. Let employees know the wellness program is here to stay!
A word about incentives

Since they can have a huge impact on employee participation in your wellness program, it’s important to plan incentives carefully. Also, under the Affordable Care Act, you’ll need to stay in compliance with rules and regulations governing wellness programs. If you’re not sure what kind of incentive will motivate your staff, it can help to ask them during a staff meeting or as part of an employee survey. You’ll also want to make incentives fairly straightforward to earn. For example, employees should have to complete a limited—and established—number of actions. And per the ACA, you’ll need to be fair: be sure that all employees have a reasonable chance to earn the incentive.

To get your employees to act more quickly, you can also set a deadline to complete the required action and earn the incentive.

Tax consequences

Although incentives are an important part of an effective wellness strategy, employers need to be aware that taxes need to be paid, by employees, on incentives that involve giving cash or gifts.

Before offering a financial incentive, benefits managers need to be mindful of the tax responsibilities of incentive-based wellness programs. 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.

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 on-site.
- Reimbursements for the cost of disease management or smoking cessation programs.

Make wellness work for you

As companies incorporate techniques to combat rising healthcare costs, wellness programs stand out as an employer’s best defense—against both direct healthcare costs and indirect costs such as lost productivity and employee absenteeism. Finding a benefits partner that can work with you to build a comprehensive wellness strategy is paramount in gaining a foothold in today’s tough economic times.

About Meritain Health

At Meritain Health, an independent subsidiary of Aetna, we are advocates for healthier living. Your Meritain Health employee benefits plan will consist of quality, affordable healthcare that is easy for your employees to access and use. This, plus our self-funded expertise and advice, will help you support your employees in healthy, productive lives.
Reference list


