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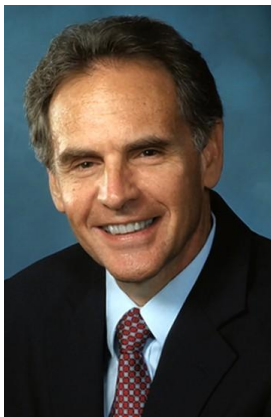
## **Should Employees Get Insurance Discounts for Completing Wellness Programs?**

Employers have a vested interest in encouraging their workers to do things like eat right, exercise and not smoke: Healthy employees generally are more productive and have lower medical costs than their less-healthy colleagues.

To that end, a growing number of companies are implementing workplace wellness programs, many of which include incentives that reward workers for doing things like getting a physical or hitting the gym. More employers are even tying wellness-program requirements to health-insurance premiums, offering discounts to those who achieve health goals or successfully complete company wellness programs.

That has some advocates concerned. They say if premiums go down for some they will go up for others, and the last thing a wellness program should do is make health care more expensive for the people who need it most.

Proponents say insurance discounts can be good motivational tools when combined with other things. They also say they're fair, noting that people with zero lifestyle-related health risks spend a lot less on medical care on average than those with many risks.



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I fully support employers implementing "wellness incentive" programs in which employers offer lower health plan premiums to employees who achieve health goals (like not smoking, having normal biometrics, and normal weight), or participate in programs to make progress toward those goals.

I think about this from three perspectives: What drives healthy behavior? What is equitable? What is financially sustainable?

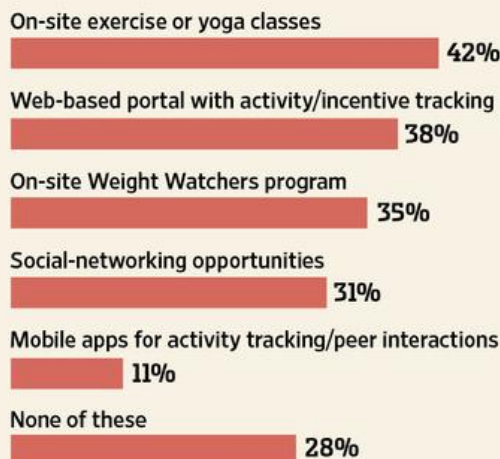
- Behavior:** Financial incentives are very effective in getting people to do simple, short-term things, like participate in a health screening. Studies have shown that program participation rates can be pushed from 40% without an incentive to more than 70% with a \$200 incentive and to 90% when incentives are built into health-plan premiums or deductibles. There is also good evidence showing that incentives are effective in motivating people to continue performing the behaviors they are already performing, like exercising, eating nutritious foods, etc. There is limited research showing that incentives such as gift cards, cash prizes and extra time off increase participation rates, but these types of incentives are challenging to administer because of handling and tax issues and aren't as effective as incentives built into the health plan.

One major caveat: If an employer's goal is to improve employee health, a wellness incentive must be integrated into a comprehensive program that includes additional strategies to motivate people, training in the skills required to change and maintain positive health practices, and, most important, an abundance of opportunities to practice a healthy lifestyle.

## Common Health | How companies are cultivating a healthier workforce

### Engaging Employees

The share of large employers (500-plus employees) that offer these activities and wellness tools



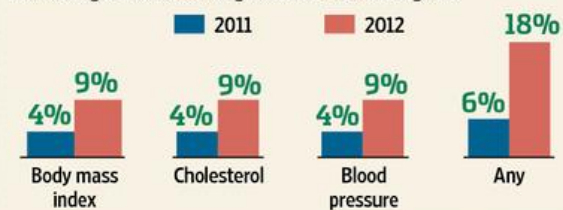
Source: Mercer, National Survey of Employer-Sponsored Health Plans

### Incentives on the Rise

The share of large employers that offer lower premium contributions to non-tobacco users



The share of large employers that provide incentives for achieving or maintaining health status targets



The Wall Street Journal

- Equity:** Research has shown that people with zero lifestyle-related health risks (like tobacco use, inactivity, poor nutrition, high blood pressure, etc.) have annual medical costs averaging about \$3,000 compared to \$10,000 for people with many health risks. Employers pay an average of 70% of these costs, and employees pay the remaining 30%. The employee's share would be \$900 if everyone had zero risks, and \$3,000 if everyone had many

risks. In a typical company, the distribution of risks produces average costs of \$6,500 a year, so the employees' 30% share is \$1,950. This means the employee with zero risks, the employee who is doing everything to eat right, be active, not smoke, etc., is paying an annual subsidy of about \$1,050 (\$1,950 minus \$900) to cover the cost of other people's poor lifestyle choices. Offering these employees lower premiums corrects much of this inequity.

Some argue that premium incentives aren't fair because they punish employees for having poor genetics or challenging life circumstances that prevent them from exercising or cause them to gain weight or smoke. Life circumstances do influence behavior, and wellness programs should address them. But lifestyle—not genetics—is the primary cause of seven of the top 10 causes of death, and the secondary cause for two others.

Others oppose higher premiums for employees who have health risks because they believe these employees might delay or forgo treatment to save money, and end up getting sicker. Not only is there is no evidence linking higher premiums to avoiding necessary care, consumer behavior research predicts the opposite: People who pay more are likely to seek more medical care because they want to get what they paid for.

- **Financial sustainability:** To survive, an employee wellness program, including the incentives, must pay for itself. A well-designed program can usually pay for itself several times over by reducing medical costs and enhancing productivity, but this usually takes two to three years. Building the cost of the program, including the incentives, into the health benefit plan, and sharing these costs with employees through their share of the premium, provides a way to pay for the program in the first year.

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