

Absolute ADVANTAGE

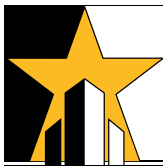
VOLUME 4, NUMBER 8

THE WORKPLACE WELLNESS JOURNAL

DESIGNING WELLNESS INCENTIVES

Part 2
Of A Two-Part
Incentive-Based
Series

Systematically Increasing Participation In Health Promotion Programs



IN THIS ISSUE:

This issue of *Absolute Advantage* is the second part of a two-part series dedicated to addressing incentives. In this issue, you will find more information on how to structure and implement proactive incentive campaigns that will significantly increase participation rates in wellness programs. Be sure to refer back to part one if you have additional questions or need to see this information in an entire context.

WEB
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Each month you can learn more about the articles in *Absolute Advantage*. Simply log on to WELCOA's members only website to get more in-depth coverage of the topics that matter most to you. Find full-length interviews, expert insight, and links to additional information that will help you do your job better!

THE WELLNESS COUNCILS OF AMERICA

Give others in your company the Advantage. Please route to: Senior Management Human Resources Benefits Department Fitness Center

From The Executive Editors

In this issue of *Absolute Advantage*, we've once again partnered with nationally recognized wellness expert, Larry Chapman. As you may know, Larry is the Chairman and Founder of the Summex Corporation, an Indianapolis-based population health management company. In this issue, Larry will provide important information regarding the utilization and design of wellness incentives. Remember, that this issue is the second of a two-part series highlighting incentives—be sure to refer back to last month's *Absolute Advantage* to refresh your memory.

Utilizing Larry's 20+ years of expertise on designing effective wellness incentives, we'll provide an in-depth case study, and show you how to link incentives to employee benefit plans.

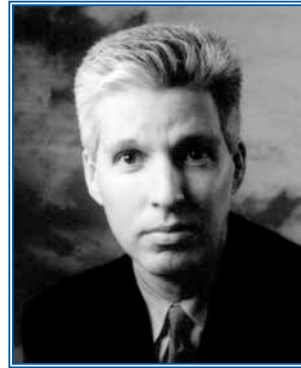
Once again, I'd like to extend special thanks to Larry for his dedication to the field and his willingness to selflessly share information that can help to advance worksite health promotion.

I hope you enjoy the second part of the two-part series dedicated to utilizing wellness incentives.

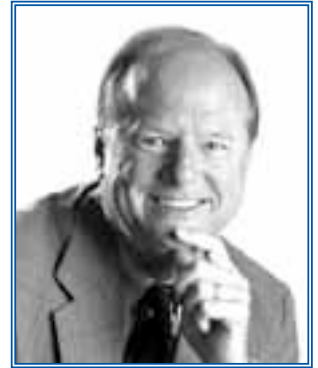
Yours in good health,



Dr. David Hunnicutt
President, Wellness Councils of America



David Hunnicutt, PhD



Larry S. Chapman, MPH

“
...as we seek to improve our ability
to reach those at risk—and help
them maintain positive health
behaviors over time—**we must
begin to embrace the power that
spirituality and faith bring to
better health and better living.**”

Absolute ADVANTAGE

THE WORKPLACE WELLNESS MAGAZINE

VOLUME 4, NUMBER 8

Organizational Founder, William Kizer, Sr.

Welcome

Absolute Advantage is the interactive workplace wellness magazine that helps large and small employers link health and well-being to business outcomes. *Absolute Advantage* arms business leaders and wellness practitioners with leading-edge workplace wellness information straight from the field's most respected business and health experts.

With its online component, *Absolute Advantage* provides the industry's most current and accurate information. By logging on to the magazine's interactive website, you can access a whole new world of health promotion—including in-depth interviews with national health promotion experts and insider's information about industry products.

Subscription Information

For information about subscribing to *Absolute Advantage*, contact the Wellness Councils of America at 402-827-3590 or via e-mail at wellworkplace@welcoa.org.

Ab • sol • ute Ad • van • tage:

When a company can produce more than its competitors—even though they have the same amount of resources—it has an absolute advantage. We believe wellness is that advantage.

Executive Editor, David Hunnicutt, PhD

Dr. Hunnicutt is President of the Wellness Councils of America. As a leader in the field of health promotion, his vision has led to the creation of numerous publications designed to link health promotion objectives to business outcomes.

Vice President of Marketing, Galen Moes

With more than 15 years experience in a Berkshire-Hathaway company, Galen joined WELCOA as Vice President of Marketing and is responsible for developing strategic direction and taking the primary leadership role in marketing all of WELCOA's products and services throughout the US.

Senior Editor, Mike Perko, PhD

Dr. Perko has significant experience in worksite wellness. Currently the Chair of Health Education at the University of Alabama, Dr. Perko also serves on WELCOA's Medical Advisory Board and often speaks on behalf of the Wellness Councils of America.

Managing Editor, Brittanie Leffelman, MS

Brittanie is the Director of Operations and manages major writing projects at WELCOA. With a Master's Degree in Health Promotion, she regularly coordinates national health forums, major grants, and state and local wellness initiatives.

Director for Council Affairs, Kelly Stobbe, MEd

As the Director for Council Affairs, Kelly is responsible for leading WELCOA's cadre of locally-affiliated wellness Councils. In this capacity, Kelly coordinates the *Well Workplace* awards initiative as well as the *Well City USA* community health project.

Director of Design and Technology, Justin Eggspuehler

A 2001 graphic design graduate from Iowa State University, Justin studied design in Rome, Italy before joining the WELCOA design staff. He is responsible for the layout and design of many publications including *The Well Workplace* newsletter and *Absolute Advantage* magazine.

Multimedia Designer, Adam Paige

Adam Paige joined WELCOA in early 2005. With corporate experience in design and videography, Adam brings a wealth of talent to WELCOA's publications. In the capacity of a multimedia designer, Adam contributes to the publications of *The Well Workplace* newsletter and *Absolute Advantage* magazine.

Information in this publication is carefully reviewed for accuracy. Questions, comments, or ideas are welcome. Please direct to Dr. David Hunnicutt, Executive Editor, at the address below.

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There are a large number of possible incentive linkages or options available for use in employer and managed care based wellness and health promotion programs. In this article, examples of incentives that can be formally linked to one or more benefit programs are presented.

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Incentives: Creative Incentive Ideas For Wellness Programs

There are many components of wellness programs that can be enhanced by the use of incentives using a collection of different pay values. In this section we match incentive types to common wellness program components to help provide ideas for making your program more effective.

Page 40

INCENTIVE



VES

An Incentive Case Study: The Wellness Challenge

The following case study is a detailed description of the program at Providence Health System in Everett, Washington (PHS-E). The information provided on the following pages was used with their permission and is presented in the form of an annual evaluation report.

4.1 | A Case Study

In late 1991, the PHS-E Prevention Services staff developed the preliminary design for an incentive-based wellness program for PHS-E employees that subsequently became the “Wellness Challenge” Program. This preliminary program design was then refined with the assistance of the Summex Corporation, Seattle, WA. The program was originally introduced in January of 1992 and has undergone a series of minor modifications during each subsequent program cycle. Initially, the program cycle ran from January 1 through September 30, with a downtime for data analysis and administrative activity from October through December. In 2000, the program’s incentive period was revised to more efficiently track 12 months of activity from October 1st to September 30th each year.

The PHS-E system has also undergone a variety of organizational changes during the last ten years. These include an employee layoff in 1993, merger with General Hospital in 1995 and further functional and programmatic realignments in 1996 and 1998. The original eligible employee population increased from 895 in 1992 to 1,674 in 1999. In 2000, the eligible population decreased slightly to 1,529, and finally to 1,899 in 2001. In the 2000 program year, the Wellness Challenge®, planning team intentionally linked many of their specific goals and objectives to overall organizational goals. In 2001, the benefit eligibility requirement was changed from .6 to .5 FTE.

The Wellness Challenge® Program, is an incentive-based wellness program linked to a \$250 to \$325 cash reward through achievement of wellness criteria. These criteria are designed to reward employees who are currently leading a healthy lifestyle while promoting the initiation of positive health behavior changes in employees who are currently engaged in less healthy lifestyle behaviors.

4.11 Overview of Wellness Challenge Program for the 2001 Program Year

A brief overview of the Wellness Challenge Program for the 2001 program year was as follows:

1. All hospital employees who were covered by the PHS-E health benefit program (i.e., at least .5 FTE) were eligible to enroll in the Wellness Challenge® program.
2. All enrolled participants could participate in a free on-site biometric screening offered at the beginning of the nine-month program cycle.
3. From October 1, 2000 to September 30, 2001, participants worked on meeting as many of the 10 wellness criteria as possible. If they met eight out of ten of the criteria they received a pre-tax cash reward of \$250 (with additional cash increments for repeat winners up to \$325). “Nice Try” participants meeting between four and seven criteria received a cash award of an additional \$50.

The wellness criteria used in the 2001 program cycle were:

- #1 **Unscheduled Leave:** Three out of four calendar quarters without an unscheduled leave day.
- #2 **TLC time:** Earn up to 90 points for spirit nurturing activities.
- #3 **Five-A-Day:** Earn 75 nutrition points for eating five fruits and vegetables every day.
- #4 **Injury Free:** No lost work time due to injury.
- #5 **Exercise:** Minimum of 75 points from participation in any fitness program.
- #6 **Seat Belt Use:** Declaration of seat belt use at all times when in a vehicle.
- #7 **Blood Pressure:** Have blood pressure monitored at least two times during the program cycle in two different months.

#8 **Self Directed Learning:** Participation in nine or more wellness program activities.

#9 **Tobacco Free:** No tobacco use in last three months.

#10 **Health Care Use:** Less than \$250 of personal health claims cost (excluding any claims for preventive services).

4. In November, participants then submitted an application to Wellness Challenge® staff requesting the incentive cash reward.
5. Program staff then determined if the submission of the application met the criteria and what award level was achieved. Individuals could request a waiver or exemption of specific criteria if circumstances warranted.
6. During the 1999-2000-program cycle, the incentive program period changed from nine to 12 months in order to more effectively track unscheduled leave and healthcare costs for a complete year.

4.12 Summary of 2001 Program Activities

A summary by major type of activity offered through the Wellness Challenge® Program in 2001, and the percent of participation in each is contained in the table below.

4.13 Wellness Challenge® Goals & Objectives for 2001

In the 2001 program year, many of the program goals were linked to key health promotion initiatives, for the purpose of providing strategic contribution to overall internal organizational initiatives and concerns. Those initiatives with a * indicate broader organizational initiatives.

1. Health care cost savings*
2. Health education
3. Employee satisfaction
4. Morale improvement*
5. Participation
6. Injury prevention*
7. Management involvement*

WELLNESS PROGRAM CHALLENGE 2001

Type of Activity	Number of Activities Provided	Participant Count	% of Total 2001 Program Participants (N=990)
Educational Class	17	287	29%
One Time Special Events	11	324	33%
Preventive Screenings	2	251	25%
Self-Learning Module	9	432	44%
Behavioral Change Series	2	69	7%
Video Loan Activity	57	53	5%
Miscellaneous	9	434	44%
Total	107	1,850	

The accomplishment status for the goals of the Wellness Challenge® program for 2001 are summarized in the table below. The Wellness Challenge® planning team also set specific objectives to accomplish each goal. For purposes of brevity, only the outcomes of the major program goals will be addressed in the following table. A comparison of the goals fully and partially met in 2000 and 2001 is shown in *Figures 14* and *15* on the next page.

Discussion of Findings: Wellness Challenge, Goals and Objectives

The 2001 Wellness Challenge® program had 15 goals. 12 of these goals (80%) were fully met and 3 goals (20%) were partially met. The number of goals was substantially

reduced (from 26 to 15) in 2001 and more specifically tied to the organizational health initiatives, showing proactive integration with the overall goals and objectives of the organization. 2001 also showed a very positive increase over 2000 goal attainment. In 2000, 63% of goals were fully met in comparison with 80% in 2001. Goals should continue to be more quantitative rather than qualitative in nature so they remain consistently measurable over time.

In summary, significant effort was made to achieve a majority of the goals and objectives set for the 2001 program. Goals were linked to organizational initiatives showing strong integration with the organization's objectives.

PROGRAM STRATEGIES

Goal	Program Goals	Fully Met	Health Initiative Category	Actual Achievement
1	To see at least 65% of Wellness Challenge completers on self-insured plan achieve the healthcare criterion.		<i>Health Cost Savings</i>	62% achieved, 179 of the total 287 self-insured met criterion
2	To see 80% or more Wellness Challenge participants earn two SDL points.	X	<i>Health Education</i>	85% achieved
3	To see 65% or more achieve the SDL criterion in 2001.	X	<i>Health Education</i>	70% achieved
4	To achieve an overall satisfaction rating of 80% or greater on the end-of-year participant program evaluation.	X	<i>Employee Satisfaction</i>	90% achieved
5	Offer 5 or more events or activities for fun, laughter and relaxation to encourage and uplift employees.	X	<i>Employee Morale</i>	6 offered
6	To enroll at least 55% of benefit-eligible into the 2002 Wellness Challenge.	X	<i>Recruitment and Retention</i>	65% enrolled
7	To re-enroll at least 75% of 2001 Wellness Challenge participants into the 2002 program.	X	<i>Recruitment and Retention</i>	80% re-enrolled
8	To enroll 200 or more new participants into the 2002 Wellness Challenge	X	<i>Recruitment and Retention</i>	509 enrolled
9	To see 95% or more Wellness Challenge participants earn one or more SDL points by attending classes, activities and events.		<i>Employee Participation</i>	79%
10	Have no more than 10 injury claims made by Wellness Challenge participants in 2001.	X	<i>Injury Prevention</i>	10 claims submitted
11	To enroll at least 30% of managers into the 2002 Wellness Challenge program.	X	<i>Management Involvement</i>	54% enrolled
12	To maintain an average of 12 hours or less of PTO-M time per quarter per Wellness Challenge participant.	X	<i>PTO-M/EIB</i>	11.6 hours average used
13	To receive an average score of 75% or greater rating for the importance of Wellness Challenge program in helping participants make or maintain positive health/lifestyle behaviors.	X	<i>Employee Health Improvement</i>	80%
14	To assist HR in enrolling an additional 10% of employees in the Providence retirement plan.		<i>Supportive Health Improvement</i>	Not available
15	To have 80% or more employees be highly satisfied with the Wellness Challenge.	X	<i>High Quality Service Delivery</i>	90% achieved

4.2 Program Participation

Program participation is a critical aspect of employee wellness programming. The program research literature is very clear regarding the relationship of program participation to behavior change. The higher the participation rate the higher the initial and sustained behavior change.

4.2.1 Overall Program Participation: 2001

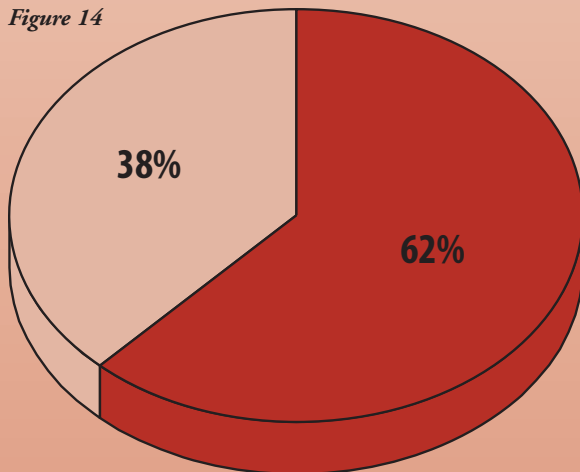
Figure 16 reflects the percent of initial participation. In the 2001 Wellness Challenge® program year, 52%, (990) of eligible employees (1,899) enrolled as participants.

4.2.2 Percent of Participants Completing Program: 2001

Figure 17 reflects the number of participants who completed the program in 2001 by returning the end of program application form.

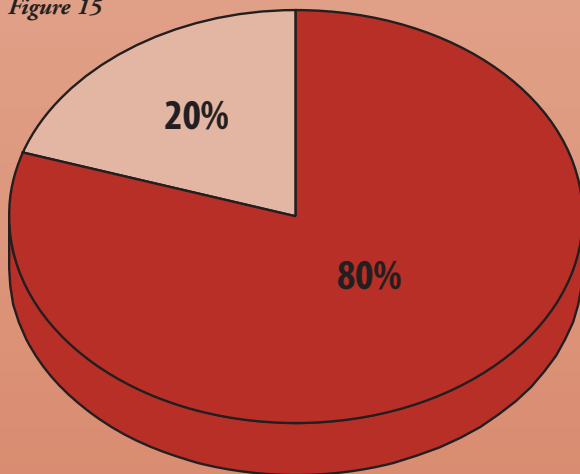
Comparison of 2000 and 2001 Program Goals

Figure 14



2000 Goals (n=26)

Figure 15



2001 Goals (n=15)

Legend: Fully Met Goals (Dark Red), Partially Met Goals (Light Tan)

4.2.3 Status of Participants - End of 2001 Program Cycle

Figure 18 contains the distribution of full incentive (Wellness Winners), partial winners (Nice-Trys), finishers who did not earn a reward and non-finishers (those that did not complete the end of program process).

4.2.4 End of Program Participant Status, 1999 - 2001

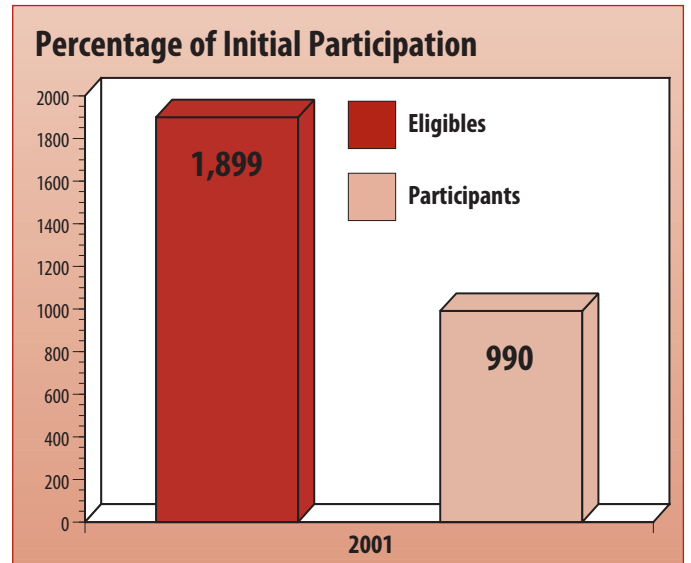
Figure 19 illustrates the comparison of end of program participant status for 1999, 2000 and 2001 program years.

Discussion of Findings: Program Participation

The achievement of a 54% participation is a positive level of participation, however it is a reduction from 65% participation in the 2000 program year. This reduction occurred following a substantial increase of 370 new eligibles in 2001; from 1,529 to 1,899. It is reasonable to speculate that a large percentage of the increase is due to the change in program eligibility from .06 to .05 FTE. Addition of staff is another partial explanation for this increase. It is noteworthy to mention that although the percentage of potentially eligible participants increased 24%, the total program participation dropped by only 12%. As shown in Figure 27 on page 14, raw participation rates have steadily climbed since the inception of the program (42% to 77%), gaining the greatest increase in 1999, however over the last two years participation has declined with the 2001 program year level of 52%. Up until 2000, this had been a significant accomplishment, particularly with the increase in the size of the eligible population. The average number of individuals participating each year over the ten years of Wellness Challenge® program has been 807 participants.

Overall program completion rates for 2001 were similar to the 2000 program year, dropping only slightly from 71% to 69%. The percentage of Wellness Winners increased

Figure 16



from 52% in 2000 to 54% in 2001. The percent of Nice Try participants who completed the program declined slightly from 15% in 2000 to 14% in 2001. On a positive note, the non-finisher rate of 31% continues to be lower than in earlier years reflecting focused effort toward motivating participants to complete the program.

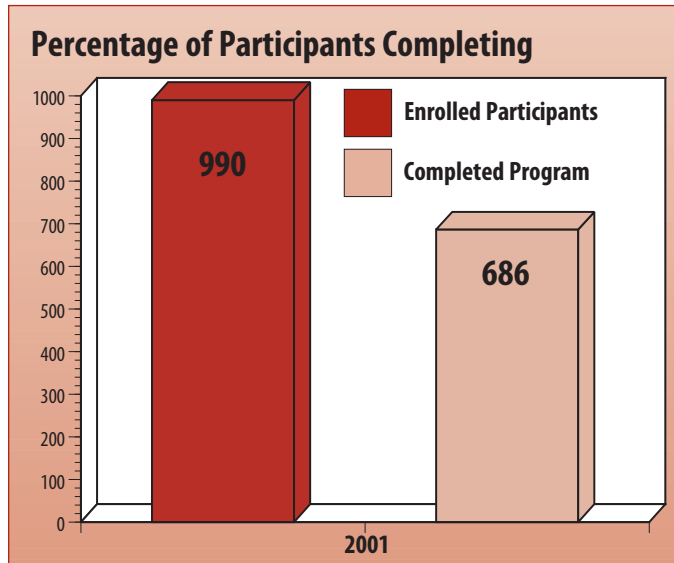
Of the 147 participants who achieved the Nice Try award in 2000, 35—or about 23%—became Wellness Winners in 2001. In 2000, 521 participants were Wellness Winners, and of those, 42 or 8%, became Nice Try winners in 2001. Although the percentage of Nice Try’s advancing to Wellness Winners remains the same as 2000, the number of Wellness Winners earning the Nice Try category has declined. This finding seems to indicate that more Wellness Winners are continuing to strive for the highest award. Retention efforts should be directed toward keeping participants in the program and motivating them to advance from one reward level to the next highest.

In summary, participation remained somewhat strong, however unfortunately declining from 65% to 52%. Completion rates showed consistent results at 69%. Efforts should continue to increase the percent of the eligible population enrolling in the program and increasing the number of Nice Try participants that complete the end of program cycle activity while helping partial winners become full Wellness Winners.

4.25 Program Retention

Figure 20 on the following page shows the comparison of program retention percentages for 2000 and 2001 program years. This percentage represents the proportion of participants initially enrolling in the program and re-enrolling in the following year’s program.

Figure 17



Discussion of Findings: Program Retention

The 2001 retention rate increased significantly in 2001 from 63% to 80% for those enrolling in the 2000 program, and re-enrolling in the following 2001 program. This finding indicates a positive step forward not only toward increasing future years’ participation, but also in supporting long-term adherence to positive health behaviors, with less chance of relapse into less healthy habits.

In summary, the level of retention in the 2001 program of 80% is a significant and positive increase from 2000. Continuing to increase the level of program retention will result in a higher probability of positive program outcomes within a population over time. Higher retention is frequently related to the magnitude of the incentive reward used.

Figure 18

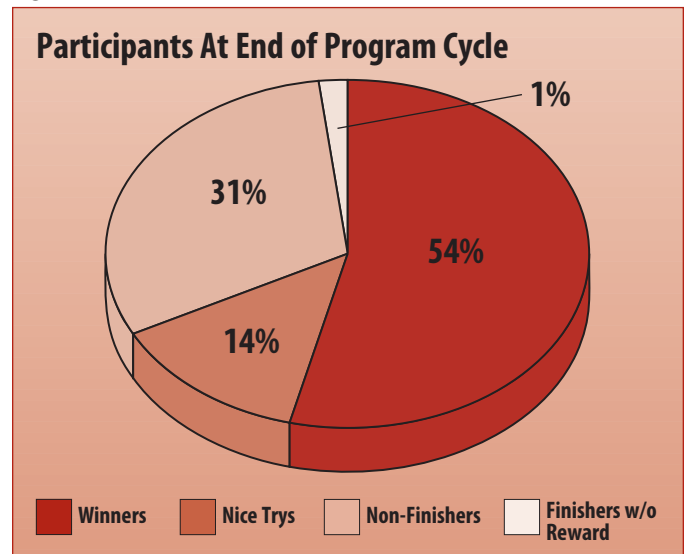


Figure 19

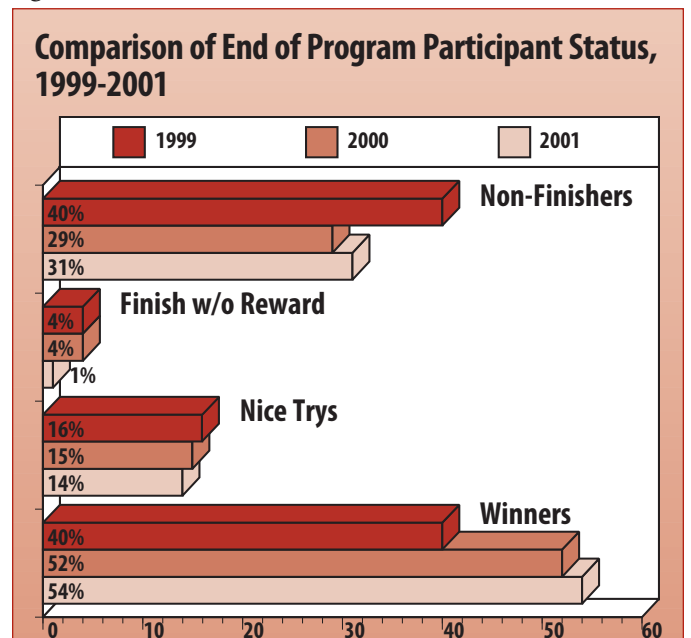


Figure 20

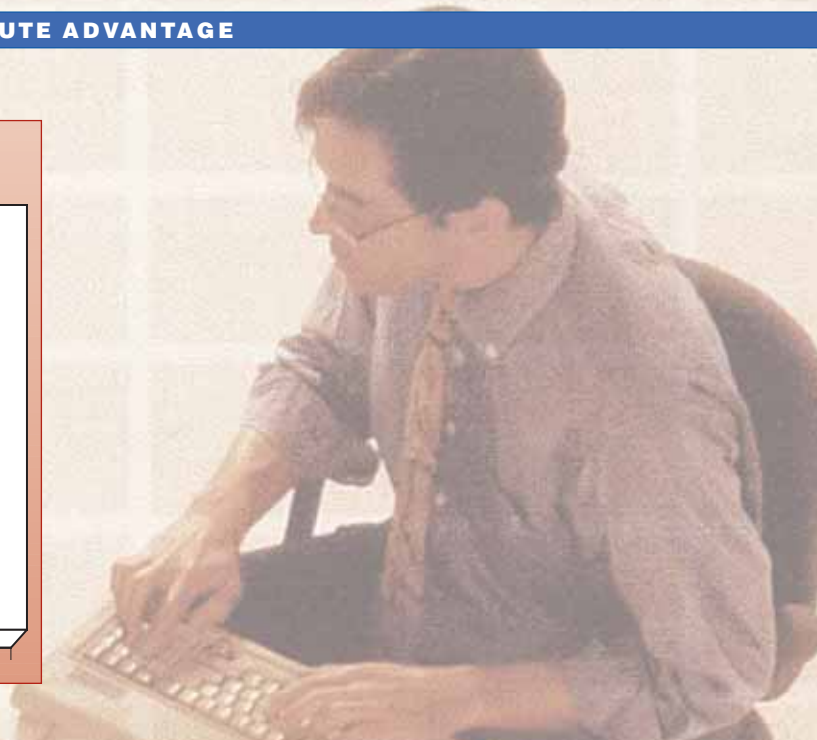
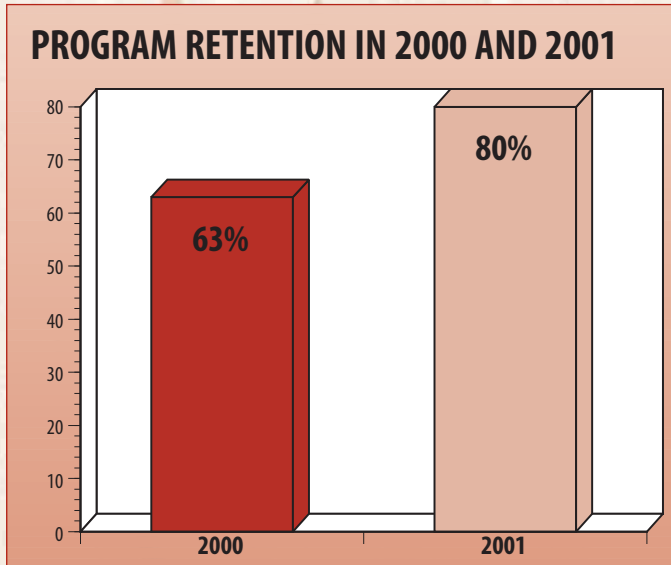
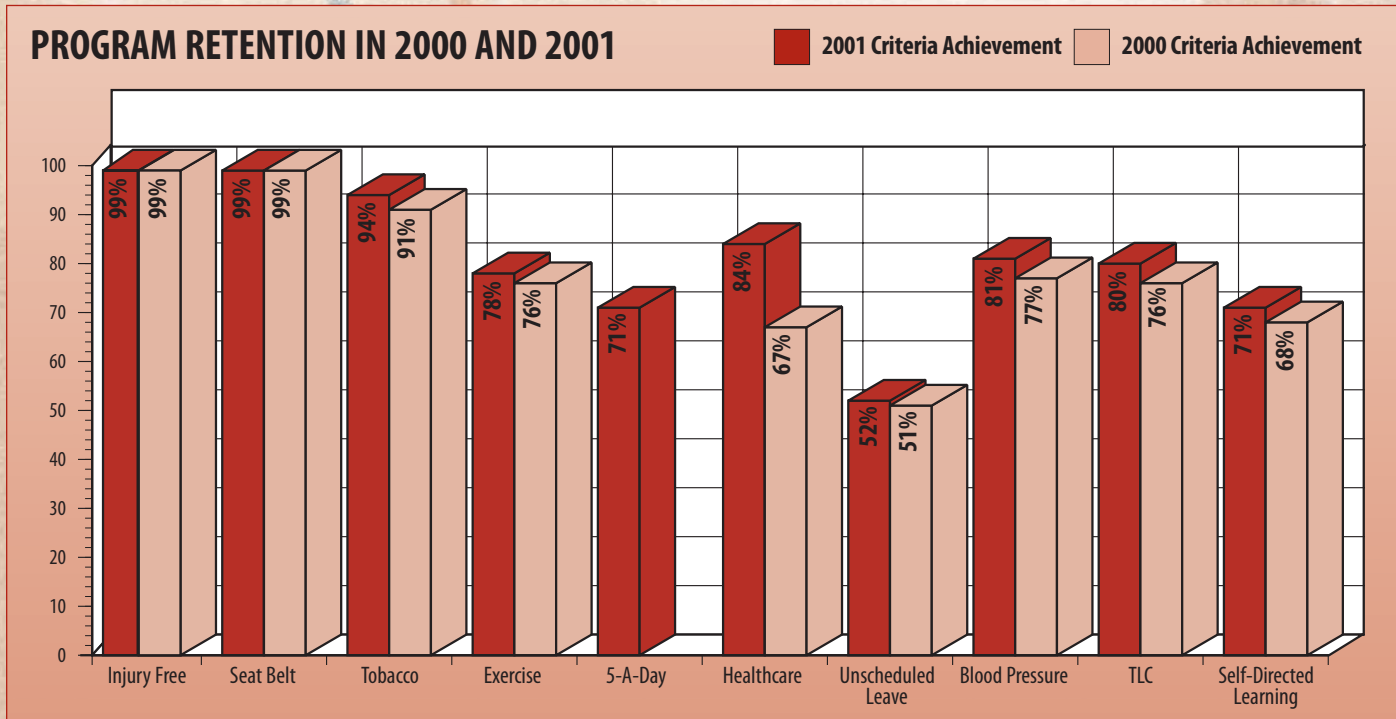


Figure 21

HIGHLIGHTS RESULTING FROM THE SATISFACTION SURVEY

Participant Satisfaction Survey	Strongly Agree/Agree	Neutral/Disagree/Strongly Disagree
I am highly satisfied with the Wellness Challenge.	90%	10%
I took part in the Wellness Challenge because I could receive a cash bonus.	86%	14%
The Wellness Challenge was very important in helping me make positive changes.	80%	20%
The organization cares about my well being through offering the Wellness Challenge.	77%	13%
The intranet was a great resource to learn more about the Wellness Challenge.	69%	31%

Figure 22



4.3 Participant Satisfaction

An annual evaluation survey was given to all participants to assess satisfaction with the program. 284 participants returned the survey producing a response rate of 27%. The survey asked participants to rank their satisfaction on various aspects of the program, using a Likert-style question format using five rating categories of “strongly agree” to “strongly disagree.”

- Respondent suggestions for future programs included: incorporating programs for the night shift, creating family-oriented recreation activities, adding conflict management classes and more programs in off-site areas
- The top five health area changes that respondents want to make were:
 - ⇒ **Weight loss**
 - ⇒ **Increasing physical activity**
 - ⇒ **Overall eating habits**
 - ⇒ **Lower stress**
 - ⇒ **Increasing fruit and vegetable consumption**

A survey was also randomly sent to 2000 participants who were non-participants in 2001. A total of 60 responses were returned, representing a 20% response rate. 34% of these respondents indicated familiarity with the Wellness Challenge® program and another 33% indicated they planned to participate in future Wellness Challenge® programs.

Discussion of Findings: Participant Satisfaction

The participant satisfaction survey response rate dipped from the 2000 rate of 56% to 27% in 2001. This may be due, in part, to the substantial change in the survey format. Questions followed a more general pattern, and rating changed from a 1 to 5 rating to a “Strongly Agree to Strongly Disagree” format. The annual repetition of a participant survey is an important feedback tool to gather qualitative participant data that can be very useful for program evaluation and improvement. Respondents continue to be highly satisfied with the program, however, in order to achieve the most reliable evaluation feedback, efforts should be undertaken to increase the percentage of survey response and perhaps add additional questions. A non-participant survey was also distributed, resulting in a 20% response rate.

In summary, the participant survey response rate showed a pattern of significant increase in the 2000 program year,

and then dropped from 56% to 27% in the 2001 program year. Satisfaction levels with the program were still at very acceptable levels. Future satisfaction survey activity should focus on increasing the percentage of responses from both participants and non-participants and to explore additional and more quantifiable measures of satisfaction levels.

4.4 Criteria Achievement

Figure 22 contains a comparison of the 2000 and 2001 program years for Wellness Winners that met each of the nine unchanged wellness criteria. The “Pound of Prevention” criterion was eliminated in 2001 and was replaced by “Five-A-Day” nutrition criterion. Wellness Winners are defined as those participants who successfully achieved at least eight criteria receiving \$250, \$275, or \$325 bonus.

Discussion of Findings: Criteria Achievement

Consistent with the 2000 program experience, the three highest frequency criteria met by 2001 Wellness Winners were being injury free, continuous seat belt use, and being tobacco free. The most significant improvement in 2001 as compared to 2000 was an increase from 67% to 84% achievement in the health care criteria. In both 2000 and 2001, the most challenging criteria to achieve was unscheduled leave, however there was a very slight improvement in 2001, from 51% to 52% achievement. In 2001, the “pound of prevention” criterion was eliminated. A new “five-a-day” criterion was added in 2001 to encourage consumption of at least five fruits and vegetables per day.

In summary, all criteria showed improvements or remained stable in 2001 as compared to the 2000 program year. For 2001, being injury free, wearing a seat belt all of the time, and avoiding tobacco use were the top three successfully met criteria. The most significant improvement was seen in the health care criteria, from 67% to 84%.

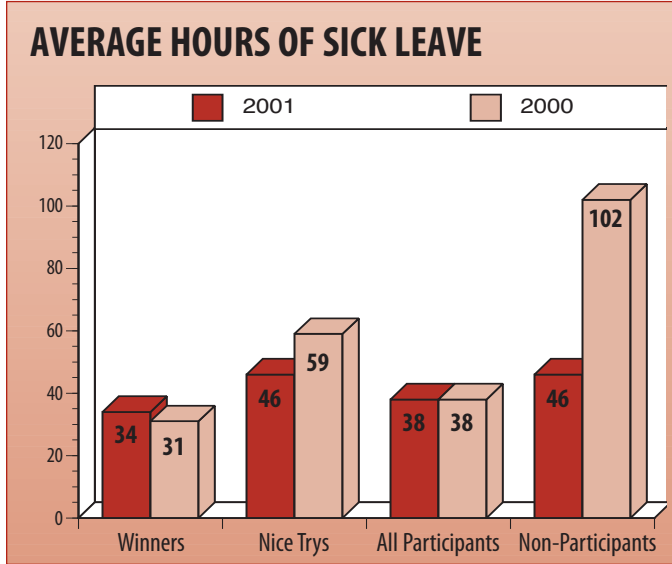
4.40 Key Organizational Indicators

The Wellness Challenge® was designed to impact on a variety of key organizational indicators. The data presented in this section highlights the comparisons of participants and non-participants for unscheduled leave (generally shown to be a close proxy measure for sick leave absenteeism) under the Paid Time Off (PTO) leave system used by PHS-E and the same type of comparisons for per capita health plan claims costs from the self-insured indemnity plan available to PHS-E employees as compared with the rest of the employees in hospitals within the Providence system.

4.41 Average Hours of Sick Leave per Year by Program Status

The average number of sick leave hours per person per year by participant status in the Wellness Challenge® program as compared with non-participants for the 2000 and 2001 program years is portrayed in *Figure 23*.

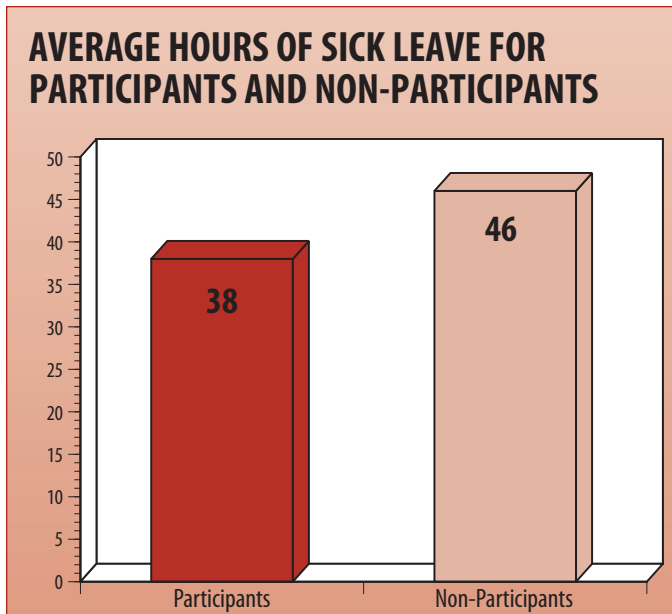
Figure 23



4.42 Comparison of Average Sick Leave for Participants and Non-Participants

Figure 24 below includes the comparison of all participants and non-participants in terms of average hours of sick leave per person per year for 2001.

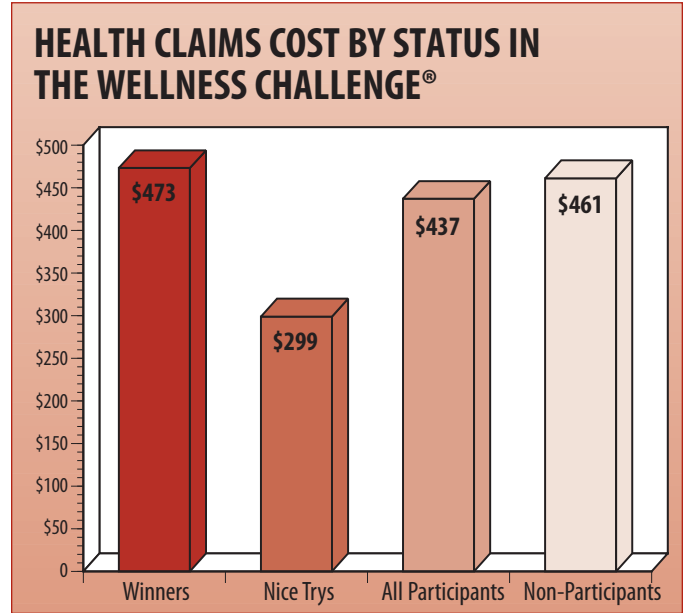
Figure 24



4.43 2001 Per Capita Health Claims Cost by Status in the Wellness Challenge®

The estimated monthly per capita health plan cost per employee in 2001 by their status in the Wellness Challenge® program is presented in *Figure 25* below.

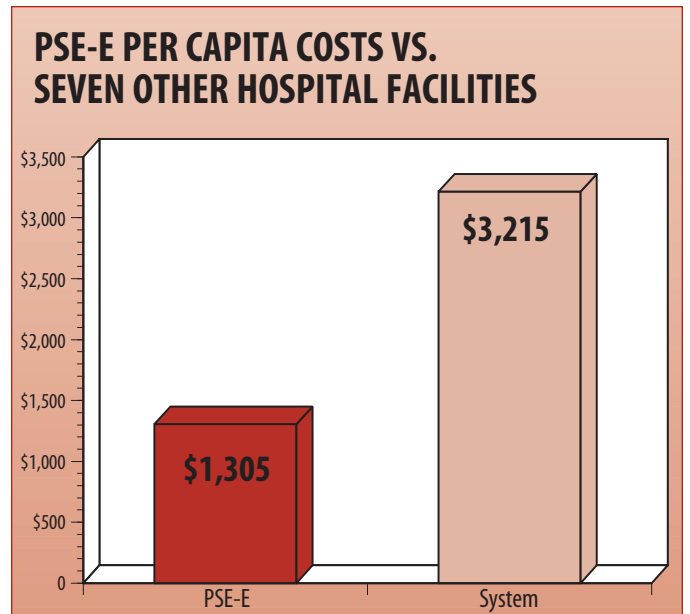
Figure 25



4.44 Comparison of PHS-E Annual 2001 Per Capita Health Costs Versus Seven PHS Hospital Facilities

The comparison of annual per capita health plan cost of PHS-E staff with employees of the other seven hospitals in the Providence Health System that were under the same or similar health plan and third party administrator (TPA) is contained in *Figure 26* below.

Figure 26



Discussion of Findings: Key Organizational Indicators

The Wellness Challenge® program was designed with the specific intention of affecting a variety of key organizational indicators. These indicators include productivity as reflected by the rate of unscheduled absences and per capita health benefit claims cost.

Productivity

Productivity was measured primarily by comparing the difference in average hours of sick leave utilized by participants and non-participants in 2001. *Figure 24* presents the results of this comparison. The following is a summary of those findings:

- ⇒ **Sick leave comparisons for all program participants showed no significant difference from 2000 to 2001, each year showing an average of 38 hours of sick leave. Wellness Winners used an average 34 hours while Nice Trys reduced their utilization from 59 to 46 hours.**
- ⇒ **Non-participant sick leave utilization showed a return to more stable pattern over the significantly higher hours used in 2000, reducing utilization from an average of 102 hours in 2000 to 46 hours in 2001.**
- ⇒ **Comparing annual participant vs. non-participant sick leave hours used derived the economic savings associated with the differential use of sick leave. Non-participants used an average of 8 hours more per person per year than Wellness Challenge® participants, resulting in an estimated savings of \$189,508 using an averaged wage rate of \$21.92. Over the ten years of the Wellness Challenge® program, total productivity savings associated with sick leave are estimated to be \$2,937,907.**

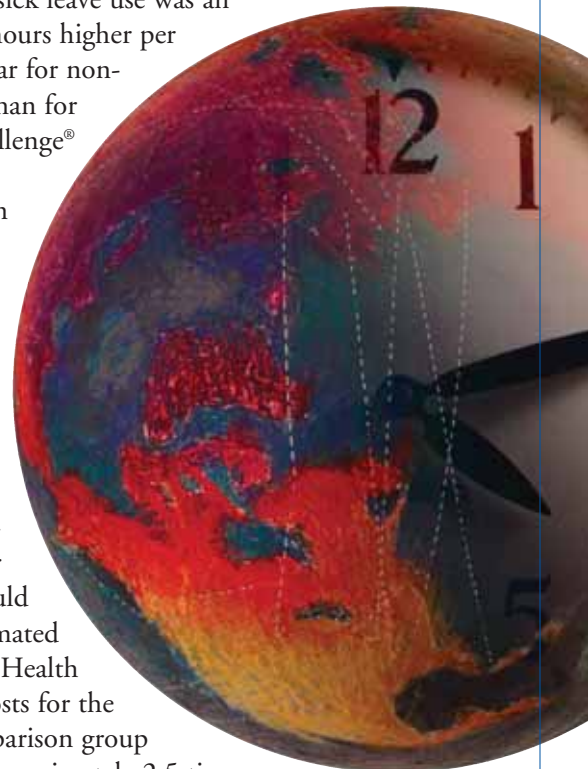
Per Capita Medical Claims Costs

Results from *Figure 25* show that Nice Trys had the lowest average health benefit cost for the year, with non-finishers and all participants following. Wellness Winners showed the highest average cost usage in 2001 of \$473. Nice Try participants dropped substantially from \$807 per participant in 2000 to \$299 in 2001. The volatility in health care costs for Winners and Nice Trys is likely related to large claim experience, but this possible cause cannot be confirmed without a more detailed claims analysis. Nonetheless, the overall per capita health cost for 2001 is notably lower than 2000, suggesting that the Wellness Challenge® program is continuing to significantly affecting the demand side of health care utilization and costs at PHS-E.

Figure 26 shows the comparison of per capita claims cost (January 1 – December 31, 2001) between PHS-E employees and the PHS comparison group. The PHS-E data showed a savings of \$1,911 for every eligible PHS-E employee as compared to the PHS comparison group. In addition, non-participants are heavily contaminated by the program intervention throughout the Providence Everett worksites after ten years of programming, so internal group comparisons are of limited analytical value. It is estimated that approximately 85% of the PHS-E work force has been in the Wellness Challenge Program at one time or another. It should also be noted that the health cost comparisons for the majority of the program participants is based on indemnity plan experience and extrapolated for other plan enrollees. Consequently, the cost savings would only be fully realized if all employees were in the indemnity plan as appears to have taken place through benefit design changes in early 2002.

2001 health care claims cost of the external PHS comparison group was two and one-half times higher than for PHS-E employees' level of health care use and cost. The per capita health care cost relationship between PHS-E and the system was almost identical in the baseline year and has remained fairly stable at approximately 30-45% lower for most of the ten years the Wellness Challenge Program® has been in place. *Figure 29* demonstrates this pattern.

In summary, sick leave use was an average of 8 hours higher per person per year for non-participants than for Wellness Challenge® participants, resulting in an extrapolated savings of \$159,402 in 2001 based on the assumption that if non-participants had been participants their sick leave would have approximated participants. Health care claims costs for the external comparison group (PHS) was approximately 2.5 times higher than the comparison (PHS-E) group providing an estimated health cost savings of \$3,637,090.



4.5 | Direct Cost of the Program: 2001

The direct cost of the Wellness Challenge® program for 2001 is provided in the table below.

Discussion of Findings: Direct Program Cost

The total direct cost of the program in 2001 was \$300,000, which is \$158 per eligible employee for the year, or approximately 12.1% of the 2001 average health benefit claim cost per employee for PHS-E (\$1,304 PEPY). The total cost of the 2001 program increased less than 1% over the 2000 program year. HRA costs decreased from \$31,000 to \$8,000 while staffing and incentive costs increased over 2000.

In summary, the program cost remained stable from 2000 to 2001. Notable changes occurred in the reduction of HRA and screening costs, and the increase in incentive and staffing costs.

DIRECT COST OF THE PROGRAM: 2001

Budget Category	Amount	% of Total
Staff	\$100,000	33%
HRA & Screenings	\$8,000	3%
Office supplies, educational materials	\$22,000	7%
Incentive payments	\$168,000	56%
Consulting fees	\$2,000	1%
Total	\$300,000	100.0%

4.6 | Cost/Benefit Analysis

The calculation of the cost/benefit ratio associated with the Wellness Challenge® program continued in a similar fashion as earlier years—made a little more complicated by the relatively small size of the participant population involved and the significant confounding factors of non-participants' exposure to programming, and heavy promotion/programming activity throughout the worksite. In addition, it appeared that a relatively small percentage of the eligible population have participated in an uneven manner, meaning that one year they are involved, the next not, and the third year they may re-enroll in the program. This provided uneven exposure to the programmatic intervention and made it difficult to assess the consistent impact of the program on health behavior and organizational indicators. However, to meet the evaluation needs of the program, the following analytic assumptions were offered:

1. The period of time used for the cost/benefit projection was January 1, 2001 to December 31, 2001.
2. The calculation of program cost was based on the direct cost associated with the program for the 2001 program year, which was \$300,000.
3. The derived productivity cost savings associated with the program was based on the overall difference of average annual sick leave hours used for all participants versus non-participants. It is important to recognize that participants used substantially less sick leave than non-participants (average 38 hours vs. 46 hours, respectively), indicating a significant difference between the two groups.
4. To derive the productivity cost savings associated with the program, the 2001 difference between the non-participants and all participants use of sick leave was multiplied times the average hourly wage and was then multiplied times the number of non-participant employees. The 2001 difference in average annualized sick leave between non-participants and participants was 8 hours. The hourly wage rate was \$21.92, or a difference of \$175.36. This amount was multiplied times the 909 non-participants resulting in the derived productivity savings of \$159,402. This method was changed in 2001 and applied retrospectively to the entire ten-year history of the program. This was done to bring more comparability in the analytic methods used for health care cost savings as compared with productivity cost savings. Additionally, hourly wage data was only available for 1992 and 2001. The difference between the two years was calculated and averaged over ten years to determine an estimated increase for each year—approximately 3%. It should be noted, however, that there was not an increase in hourly wages each year.
5. Workers' compensation and disability management effects and savings have not historically been examined primarily because of measurement difficulties.
6. The derived health benefit cost savings associated with the program was based on the overall difference of the PHS-E population with the external comparison group of the employee population in the other seven PHS hospital facilities. Since the entire system is under the same health benefit program administered by the same benefit administrator and the age, gender and plan enrollment characteristics are very similar.
7. To derive the health benefit cost savings associated with the program, the 2001 difference between the system and PHS-E in per employee per year cost was multiplied times the number of PHS-E employees.

Therefore, the system annualized per employee cost for 2001 was \$3,215 while the PHS-E per employee average cost was \$1,305. The difference of \$1,910.93 was then multiplied by the number of benefit eligible employees at PHS-E (1,899) to derive \$3,628,856 of health care cost savings in 2001.

8. The total cost of the program in 2001 was \$300,000 while the health benefit savings and productivity savings was determined to be \$3,786,492 producing a cost/benefit ratio of 1:12.62 for the 2001 program year. In other words, using fairly conservative assumptions, in 2001 the Wellness Challenge® program saved nearly 13 times more than was spent in program costs. The 2001 finding is consistent with the trend of cost benefit outcomes over the previous nine program years. A positive cost/benefit return has been evidenced in all ten years of the program. A thorough claims analysis would be helpful to identify other possible explanations for the observed phenomenon. A detailed discussion of these issues will be presented in the following section.

Discussion of Findings: Cost Benefit Analysis

As was noted in earlier evaluation reports, this cost/benefit calculation is not without weaknesses, but readers are urged to challenge and refine the assumptions used here in order to contribute to a more accurate process for determining the program's economic return. This methodology also does not attempt to impute economic value to the large number of individuals who have experienced significant personal health improvements under the program's auspices. The improvements in quality of life are also not easily amenable to objective quantitative analysis, although subjective satisfaction appears to have remained consistently high among program participants. Although difficult to measure, the economic benefit of employee recruitment and retention effects should ultimately be compared as well.

In summary, an estimated cost/benefit ratio of 1:12.62 was realized in 2001. This significant result as well as the consistency of a positive return on investment over time continues to provide very tangible evidence of the organizational value of the Wellness Challenge® Program.



4.7 Overall Program Impact: 1992-2001

The following are some highlights of the overall impact of the Wellness Challenge® program from its inception in 1992 to the end of the 2001 program year.

4.71 Program Participation: 1992 - 2001

Program participation has varied from 42% to 77% during the ten-year period and is portrayed graphically in *Figure 27* below.

4.72 Program Completion: 1992 - 2001

The ten-year experience with end-of-program completion and submission of an application for the incentive reward is shown in *Figure 28*.

4.73 Comparison of PHS-E and System Average Monthly Per Employee Health Cost: 1991 to 2001

The monthly per employee health claims costs of all System employees excluding Providence Everett staff was used as an external comparison due to the significant degree of effect contamination with non-participants at

Figure 27

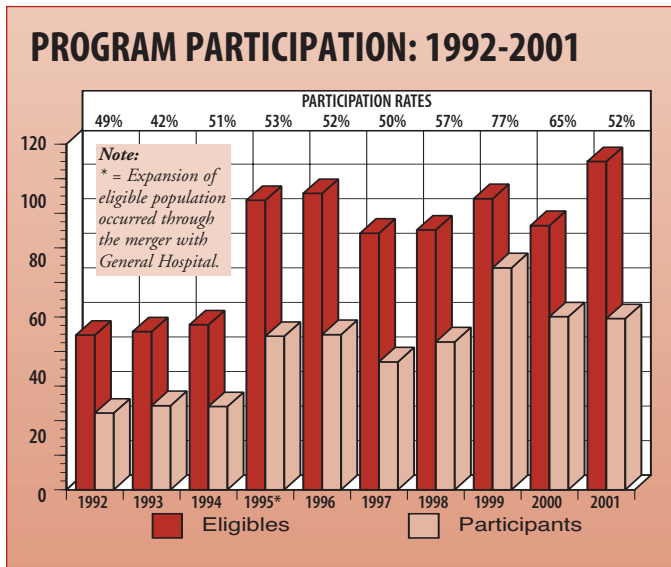
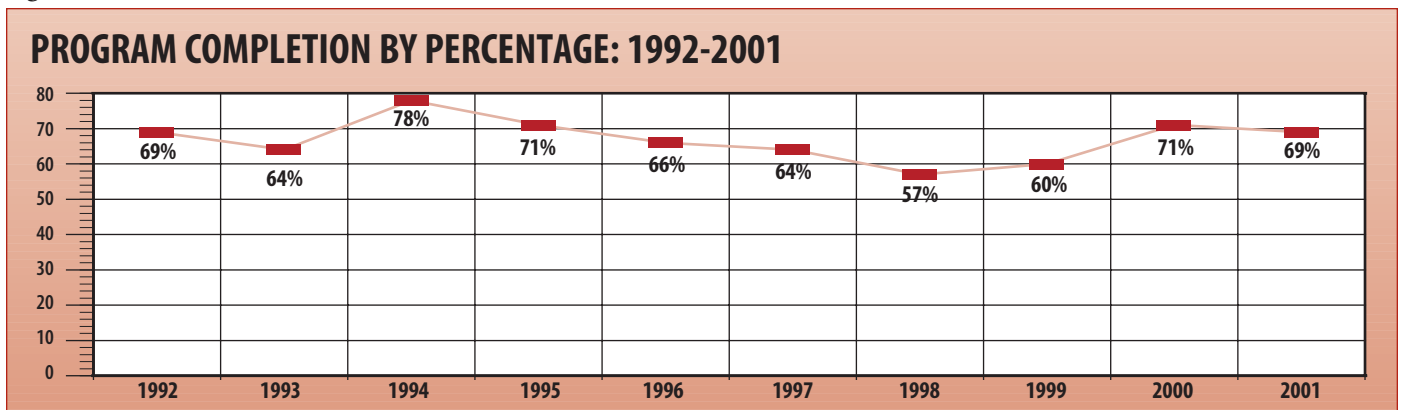


Figure 28



PHS-E. The pattern of average monthly per employee health plan cost for the baseline year of 1991 and each subsequent year is portrayed in *Figure 29* on the right.

In 1996, the long term pattern of difference in monthly employee health plan cost from 1992 to 1996 changed significantly due partly to a difficult year of organizational merger and transition (one employee population with an integrated and comprehensive program and the other with virtually no program). In 1997, PHS-E showed a return to the earlier cost differential between the experimental and comparison populations. In 1998, results revealed a clear reduction in the System cost level combined with a flattening of the PHS-E cost experience. **Most significantly, the 2001 experience is 31.2% lower in per capita spending for PHS-E than was experienced in 1991.** This outcome is an almost unheard of occurrence for any employer, particularly a health care employer. It appears to have no other explanation except the presence and impact of the Wellness Challenge® program. Remarkably, 2001 showed the most significant cost benefit results over the program's ten years, with the System experiencing nearly two and one-half time more health care expense per capita than the PHS-E population.

4.74 Summary of Cost/Benefit Ratios for the Program: 1992-2001

Figure 30 summarizes the cost/benefit ratios associated with the Wellness Challenge®, program from its inception in 1992 through 2001, as well as a composite C/B ratio for the ten-year program period. During the ten-year period, the program cost a total of \$2,072,820 and produced \$13,086,796 in health benefit and productivity savings, resulting in a 1:6.52 C/B ratio for the ten years of the program's existence.

Editor's Note: For more information on the PHS-E Wellness Challenge® program, which is available for purchase under a franchise type option, particularly for hospital settings contact Mr. Ron Burt, Manager, Prevention Services, PHS-E at (425) 806-5700.



Figure 29

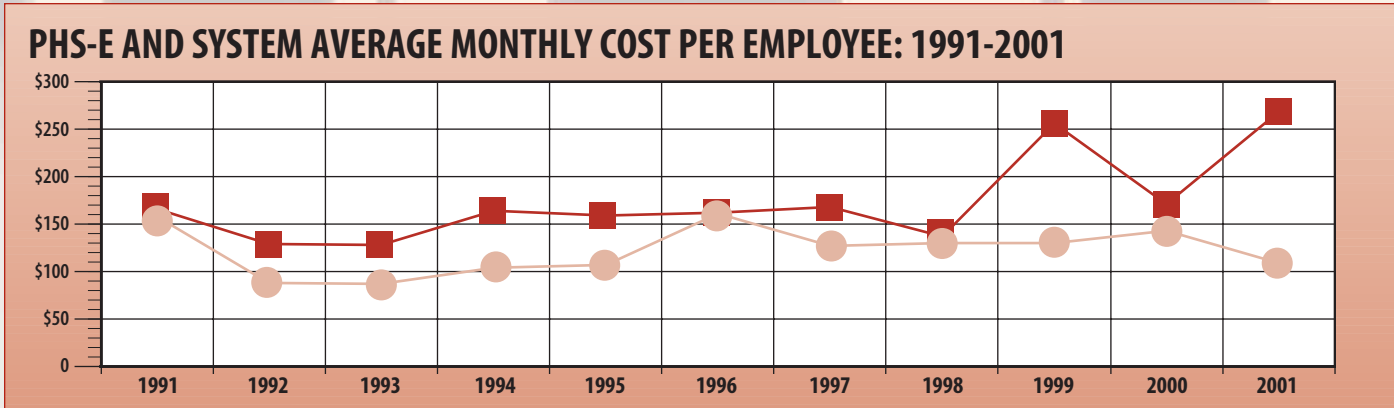
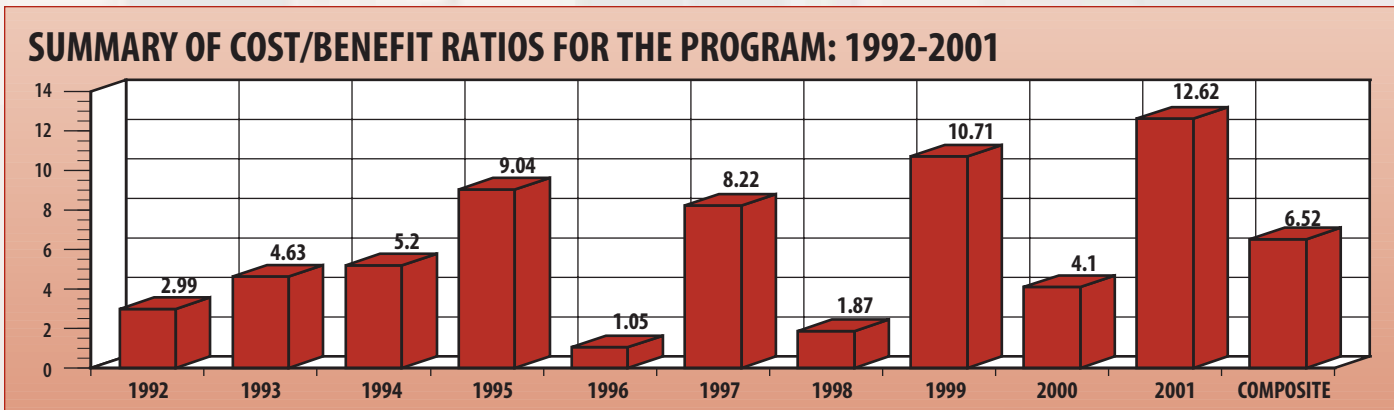


Figure 30



Employee In



Benefit Linked Incentive Options

There are a large number of possible incentive linkages or options available for use in employer and managed care based wellness and health promotion programs. In this article, examples of incentives that can be formally linked to one or more benefit programs are presented. For each category or type of incentive linkage, several design variations are also identified. It is also recommended that readers not limit their approach to only those pure incentive forms identified here, but seek to utilize hybrid forms as well as other innovative approaches. The only limitation to wellness incentive design is associated with the provisions of HIPAA regarding non-discrimination based on “health status-related factors” or if any applicable state laws affect the content or processes of the incentive program.

5.1 | General Benefit Linkages To Wellness Programming

These first-listed wellness incentives are all linked in a general way to employee benefits.

5.11 Payroll Contribution for Wellness Programming

Purpose: To provide funding for wellness programming by providing an option for employees to elect to use a payroll contribution.

Description: The ability to have a payroll contribution which allows for employees to finance and participate in wellness programs, undergo fitness assessments, to receive counseling, to enroll in behavior change classes, to use corporate or community fitness facilities is the main purpose of this type of general benefit linkage. The size of the payroll contribution and the extent of wellness activities that are covered and provided can vary significantly.

Common Forms: No common forms exist due to the relative rarity of this approach.

Major Design Issues: The following are major design issues for this type of benefit linkage:

1. The scope of wellness programming offered to employees.
2. The use of a subsidy from employers to reduce the cost to employees.
3. The addition of any significant incentives for choice of use of this option.
4. The pricing of the benefit option.

Advantages:

- ⇒ Provides a way of funding wellness
- ⇒ Relatively easy to organize
- ⇒ Turns wellness into a “benefit”
- ⇒ Can be withdrawn if not effective

Disadvantages:

- ⇒ Poor reach to the high-risk individuals that are in denial
- ⇒ Hard to estimate initial election of this benefit
- ⇒ If offered it may show a relatively limited amount of demand giving a false sense of the need

Likely Efficacy:

Three scales are offered for likely efficacy. The first scale is for motive force, which is the behavioral response to the incentive linkage itself, or what might be considered as participation in the incentive, the second scale is for the health behavioral change efficacy and the third is for the

health cost management effect or efficacy. All three scales are constructed with a numerical rating of 1 to 10. Where “1” represents the least and “10” the greatest efficacy possible.

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10

5.12 Wellness Program Under Flex Plan Option

Purpose: To provide wellness programming through the provision of an option for employees under a Section 125 cafeteria plan.

Description: This benefit choice option under a Section 125 cafeteria or flex plan allows employees to “buy” wellness as an offered benefit. The specific wellness services can include: fitness assessments, counseling, participation in

WELLNESS INCENTIVE LINKAGES TO EMPLOYEE BENEFITS

5.1 General Benefit Linkages to Wellness Programming

- 5.11 Payroll contribution for wellness
- 5.12 Wellness program under flex plan option

5.2 Health Plan Linked Wellness Incentives

- 5.21 Initial or continued benefit eligibility
- 5.22 Waiver of pre-existing condition incentive
- 5.23 Differential premium contribution for wellness activities
- 5.24 Contribution rebate for wellness
- 5.25 Consumer Driven Health Plan (CDHP) bonus
- 5.26 Health plan cost sharing offsets
- 5.27 Wellness gain-sharing
- 5.28 Wellness bonus for Medical Savings Account (MSA)
- 5.29 Health plan preventive benefit incentive

5.3 Wellness Incentives Linked to Other Benefits

- 5.31 Flex plan wellness bonus credits
- 5.32 Flexible Spending Account (FSA) bonus
- 5.33 Well-Day reward
- 5.34 Combined leave bonus days
- 5.35 Sick day accrual bonus
- 5.36 Time & travel reward system
- 5.37 Safety Bingo for work injury reduction
- 5.38 Flex time reward system
- 5.39 Improved life, retirement, AD&D, and disability benefits

5.4 Cash and Merchandise

- 5.41 Direct cash rewards
- 5.42 Merchandise and coupon award program

behavior change classes, use of corporate or community fitness facilities and a broad range of other wellness activities. The benefit dollars or credits associated with the flex plan option and the extent of wellness activities that are included can vary significantly.

Common Forms: No common forms exist due to the relative rarity of this approach.

Major Design Issues: The following are major design issues for this type of benefit linkage:

1. The scope of wellness programming offered to employees within the flex plan option.
2. The use of a subsidy from employers to reduce the cost to employees.
3. The addition of any significant incentives for choice of use of this option.
4. The pricing of the benefit option under the flex plan.

Advantages:

- ⇒ Provides a way of funding wellness
- ⇒ Relatively easy to organize and administer
- ⇒ Turns wellness into more of an employee “benefit”
- ⇒ Can be withdrawn if not effective

Disadvantages:

- ⇒ Poor reach to the high-risk individuals that are in denial
- ⇒ Hard to estimate initial election of this benefit
- ⇒ If offered it may show a relatively limited amount of demand giving a false sense of the need

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10



5.2 Health Plan Linked Wellness Incentives

These wellness incentives are all linked in some fashion to health plan coverage.

5.21 Initial or Continued Benefit Eligibility

Purpose: To require completion of an annual health risk appraisal (HRA) in order to initiate benefit coverage.

Description: This wellness incentive linkage is created by requiring an annual re-enrollment process for health benefits or for all non-legally required employee benefits. Nothing in existing federal law including: the Employee Retirement Income Security Act (ERISA), the Health Insurance Portability and Accountability Act (HIPAA), the Age Discrimination in Employment Act (ADEA), and the Americans with Disabilities Act (ADA), or any other federal law, prohibit employers from establishing an annual application for continuation of benefits eligibility that can include an HRA. Employers are prohibited, under HIPAA, from using the health status related information to require increased premium contribution levels or increased cost sharing under their employer sponsored health plan. However, no prohibition exists against an annual application that contains the typical content of an HRA. The HRA is extremely important because it is usually used for the purposes of planning, targeting of voluntary interventions offered to individuals and for



evaluation of the effects of programming. Involvement in other kinds of wellness activities can also be linked to an annual application for benefit eligibility such as screening, attendance at orientation sessions or involvement in a medical self-care workshop.

Common Forms: The most typical approach is to require the completion of an HRA for initial and continued coverage under an employer’s health plan.

Major Design Issues: The following are major design issues for this type of wellness benefit linkage:

1. The content of the HRA used.
2. The scope of additional wellness activities that are required.
3. The specific benefit access, such as the health plan, that is linked to completion of the HRA and/or other wellness activities.
4. The percent of the work force that is eligible for health benefit coverage.
5. The percent of the work force that waive the health benefit coverage.
6. An additional option includes using access to flex plan benefits rather than the health plan alone.
7. The use of a waiver request for those who do not want to complete the HRA or attend the wellness activities.

Advantages:

- ⇒ Provides a very high percent of HRA response
- ⇒ Produces a “cultural” intervention
- ⇒ Relatively easy to organize and carry-out
- ⇒ Reaches those who would not normally participate in a program
- ⇒ Virtually no incentive cost

Disadvantages:

- ⇒ Need to deal with employee discomfort when new
- ⇒ Must adhere to all the privacy protections of HIPAA
 1. May require some sentinel features to prevent “gaming”
- ⇒ Need to utilize the information collected on HRA to be effective.
- ⇒ Also best to conduct a telephone follow-up process with those who are high risk.

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10

5.22 Waiver of Pre-Existing Condition Incentive

Purpose: To use completion of an annual health risk appraisal (HRA) to waive any pre-existing condition limitation.

Description: This wellness incentive linkage is created by offering an opportunity to complete an HRA and waive any pre-existing condition limitation to the individual's health plan. This type of incentive effectively leads to lower out-of-pocket health care expense and/or faster treatment of an underlying health problem. This applies primarily to new employees that have not been covered under an individual or group health plan. Employers are prohibited, under HIPAA, from using a period of application of a pre-existing condition exclusion that is longer than the federal standard in HIPAA. This is what is being eliminated from those who complete the HRA. The HRA again, is extremely important because it is usually used for the purposes of planning, targeting of voluntary interventions offered to individuals and for evaluation of the effects of programming. Involvement in other kinds of wellness activities can also be linked to waiver of the pre-existing condition exclusion, such as, screening, attendance at orientation sessions or involvement in a medical self-care workshop.

Common Forms: No common forms exist due to the relative rarity of this approach.

Major Design Issues: The following are major design issues for this type of wellness benefit linkage:

1. The standard pre-existing condition clause in the health plan(s).
2. The time when the opportunity is presented to new employees.
3. The specific required behavior, such as the completion of an HRA or attendance at other wellness activities.
4. The processes for notification of health plan sponsors or claims adjudicators.

Advantages:

- ⇒ Fairly easy to do
- ⇒ Relatively low cost

Disadvantages:

- ⇒ Very limited reach and effectiveness
- ⇒ Individuals that are attracted to this incentive would lead to adverse selection against the health plan involved

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10



5.23 Differential Premium Contribution for Wellness Activities

Purpose: To provide a reduction in the employee's health benefit payroll contribution amount for healthy behavior and/or participation in wellness activities.

Description: This incentive model can take many forms. The common characteristic however, is the identification of an amount or percentage of reduction in the individual's payroll contribution level for health benefit coverage. For example, for dependent coverage the individual may have to pay 50% of a family premium of \$5,000 or \$2,500 per year. If the individual completes an HRA and meets 1-5 additional wellness criteria they may qualify for a reduction to 40% of the premium or \$2,000 a year. The difference is then \$500 divided by 12 pay periods which translates into \$41.66 a pay period. The amounts for the differential premium contribution can be set at whatever levels the employer determines. This type of incentive can also be used to structure tiers. First tier might be 10% off for completion of an HRA, second tier may be attendance at five or more wellness events for another 10%, a third tier may involve achievement of several wellness criteria such as cholesterol levels, blood pressure, percent body fat or use of an onsite fitness facility. All the criteria need to have an "... or participate in..." clause to remain in compliance with the non-discrimination provisions of HIPAA. The "rating" of health plans involves their pricing for both the employer and the employee. Health plans can be rated at a higher level to provide an opportunity for employees to pick up a portion of the anticipated cost. This can also be a method for having employees who do not participate actually pay for the wellness activities.

Common Forms: The most common form of differential premium contribution incentive is providing a 33% to 100% reduction of the employee's premium contribution for their own and/or for dependent health care coverage.



Major Design Issues:

1. The imposition of a premium contribution if one is not in place.
2. The size and/or “rating” of the premium contribution.
3. The size of the discount.
4. The required activity to qualify for the discount or reduction in payroll contribution.
5. The process for qualifying for the discount or reduction.
6. Any waiver provisions to be used.

Advantages:

- ⇒ It is fairly easy to integrate a differential premium structure into a health plan or set of health plans
- ⇒ It is attractive to those who qualify
- ⇒ Can send a clear and decisive message on healthy behavior
- ⇒ Has intuitive appeal particularly when coupled with data on the relationship of health risk to health costs when justifying the use of the incentive
- ⇒ Usually easy-to-understand and communicate
- ⇒ Can be fairly powerful if used in a sound manner

Disadvantages:

- ⇒ Requires that premium cost sharing with employees is in place
- ⇒ Although it has been changing, single employee coverage is often 100% employer paid
- ⇒ Probable cost connected with reduced health risks is not guaranteed with individual experience
- ⇒ May require some sentinel features to prevent “gaming”
- ⇒ May lose its effectiveness if translated into too small financial increments per pay period

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10

5.24 Contribution Rebate for Wellness

Purpose: To provide a rebate from the employee’s health benefit payroll contribution amount for healthy behavior and/or participation in wellness activities.

Description: This incentive model can also take many forms. The common characteristic however, is use of a rebate amount of a portion of the amount that the individual has paid in payroll contribution for their health benefit coverage. For example, for dependent coverage the individual may have to pay 50% of a family premium of \$5,000 or \$2,500 per year. If the individual completes an HRA and meets 1-5 additional wellness criteria they may qualify for a \$500 rebate of a portion of the premium. The \$500 rebate if provided to the individual in cash is taxable. If it is reapplied to a tax advantaged form of benefit such as a 401(k) contribution or additional flex plan choices then the amount is not likely to be taxable. The rebate amount as a portion of the payroll contribution can be set at whatever levels the employer determines. This type of incentive can also be used with tiers of rebates similar to the differential premium example. The “rating” of health plans applies here as well. Remember that health plans can be rated at a higher level to provide an opportunity for employees to pick up a portion of the anticipated cost. This can also be a method for having employees who do not participate actually pay for the wellness activities and the rebate.

Common Forms: No common forms exist due to the relative rarity of this approach.

Major Design Issues:

1. The imposition of a premium contribution if one is not in place.
2. The size and/or “rating” of the premium contribution.
3. The size of the rebate.
4. The required activity to qualify for the rebate.
5. The process for qualifying for the rebate.
6. Any waiver provisions to be used.

Advantages:

- ⇒ It is fairly easy to integrate a rebate structure into a health plan or set of health plans
- ⇒ It is attractive to those who qualify
- ⇒ Can send a clear and decisive message on healthy behavior
- ⇒ Has intuitive appeal particularly when coupled with data on the relationship of health risk to health costs when justifying the use of the incentive
- ⇒ Usually easy-to-understand and communicate
- ⇒ Can be fairly powerful if used in a sound manner

Disadvantages:

- ⇒ Requires that premium cost sharing with employees is in place
- ⇒ Although it has been changing, single employee coverage is often 100% employer paid
- ⇒ Probable cost connected with reduced health risks is not guaranteed with individual experience
- ⇒ May require some sentinel features to prevent “gaming”
- ⇒ May lose its effectiveness if translated into too small financial increments per pay period

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10

**5.25 Consumer-Driven Health Plan (CDHP) Bonus**

Purpose: To provide a bonus in the individual’s CDHP account for selected healthy behavior and/or participation in wellness activities.

Description: This incentive model can also take many forms. The common characteristic however, is use of a CDHP. These types of health plans generally have a personal health account or what the Internal Revenue Services calls a Health Reimbursement Arrangement. These are typically combined with a high deductible health plan (i.e., \$2,500). The individual uses their personal health account to pay for any expenses that are below the deductible. Any amount left in the account at the end of the benefit year rolls over to the next year when the employer makes a deposit in the individual’s account for the new benefit year. Any health care expense not covered by the amount in the account and not covered under the high deductible health plan policy is the responsibility of the individual. CDHPs, by themselves are likely to have a beneficial effect on worksite wellness programs because they create an incentive for wellness due to the desire to conserve the funds the individual has in their personal health account.

The incentive linkage is created with the possibility of a larger amount of employer provided funds for the individual’s personal health account. For example the employer can contribute an additional \$250 in the individual’s account for the completion of an HRA and another \$250 for the spouse under dependent care coverage provisions. This “bonus” can be connected to a variety of other wellness-oriented activities including: workshop attendance, fitness center use, physical activity, participation in biometric testing, completion of preventive care requirements, etc. Contribution of the amount by the employer into the individual’s account is tax advantaged for both the employer and employee. Also with the recent revenue ruling by the IRS that allows these Health Reimbursement Arrangements to “roll-over” and to be accessed after the individual is no longer employed or retires, they are likely to be heavily used.

Common Forms: No common forms exist due to the relative rarity of this approach.

Major Design Issues:

1. The use of a CDHP.
2. The level of the high deductible plan.
3. The standard personal health care account contribution level.
4. The size of the “bonus” amount.
5. The required activity to qualify for the “bonus”.
6. The process for qualifying for the “bonus”.
7. Use of multiple or tiered bonus levels.

Advantages:

- ⇒ It is fairly easy to design and use CDHPs with the new IRS ruling
- ⇒ It is attractive to those who qualify for the bonus
- ⇒ Can send a clear and decisive message on healthy behavior
- ⇒ Has intuitive appeal particularly when coupled with data on the relationship of health risk to health costs when justifying the use of the incentive
- ⇒ Relatively easy to understand and communicate
- ⇒ Can be fairly powerful if used in a sound manner
- ⇒ Can be linked to a variety of health behaviors as long as participation opportunities are also provided
- ⇒ Can use these accounts with Flexible Spending Accounts to allow the individual employee to use pre-tax dollars to budget for their health care expenses.

Disadvantages:

- ⇒ Requires a new “defined contribution” type of approach rather than defined benefit approach and movement away from the entitlement mentality that surrounds most health benefit programs.
- ⇒ Levels of rewards may be difficult to establish with concerns for maintaining or improving equity.

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10

5.26 Health Plan Cost Sharing Offsets

Purpose: The purpose of this incentive approach is to provide offsets to out-of-pocket cost sharing (i.e., deductibles, co-pays, co-insurance and service limits) under indemnity and/or managed care plans as a result of completing selected wellness activities.

Description: This incentive approach is characterized by providing \$100 or \$250 denominations of cost sharing waivers that can be used to offset deductibles, co-insurance, or co-pays and to reduce maximum out-of-pocket limits. These coupons reflect dollar amounts and are provided to those that meet various wellness attributes. The individual who receives these “well bucks” can include them with claim forms and have them adjudicated by the claims processors when arriving at Explanation-of-Benefit (EOB) outcomes. These “well bucks” can be used to soften the financial liability associated with high deductible health plans (i.e., \$500, \$1,000 and \$1,500) outside a CDHP plan design and still retain modest out-of-pocket cost sharing. They can be applied to any family member and may be able to be carried over into the next

year or redeemed at a fraction of their face value. They act to provide financial rewards that are likely not to be taxable because the third party administrator (TPA) redeems them and uses them to offset out-of-pocket cost so that no “constructive receipt” takes place.

Common Forms: No common forms exist due to the relative rarity of this approach.

Major Design Issues:

1. What qualifying wellness achievements and/or activities are included.
2. Value and denomination of “well bucks” associated with meeting the requirements.
3. Timing of introduction.
4. Application of “well bucks” to specific categories of expenses.
5. Carry-over and redemption rules.
6. Physical creation of non-counterfitable coupons.

Advantages:

- ⇒ Links wellness with health costs under the health plan
- ⇒ Can increase health plan cost sharing and then add this incentive to compensate
- ⇒ Very marketable with most groups
- ⇒ May not have to cash in all “well bucks” that are awarded by using an expiration date
- ⇒ Can be used as a trade-off when introducing plans with higher cost sharing

Disadvantages:

- ⇒ Somewhat complex to administer
- ⇒ Claims processor must be fully involved
- ⇒ Possible to counterfeit so that a master list would need to be monitored by the claims payer
- ⇒ Of limited value with managed care plans with minimal out-of-pocket cost sharing
- ⇒ If amount of “well bucks” are too high it may lead to unnecessary service use by removing the personal cost of care
- ⇒ Could lead to consumption ethic or mindset in order to get the full value of the “well bucks”

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10

5.27 Wellness Gainsharing

Purpose: To connect health care use and wellness activities and achievements with distribution of cash savings from self-insured health plan experience using a gainsharing model.

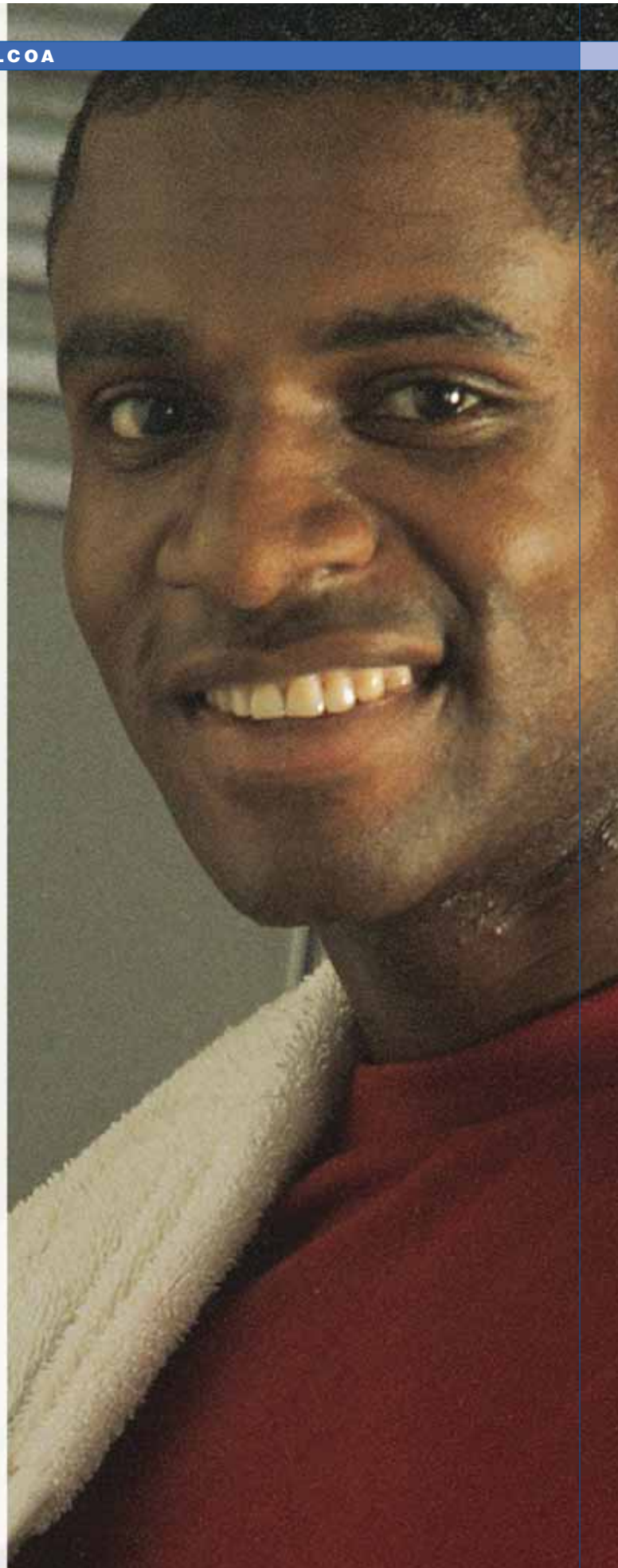
Description: This is one of the more complex, but egalitarian forms of wellness incentives. It usually provides for the distribution of 50% of the difference between actual and expected health plan claims experience back to employees in the form of cash, based on the number of points they have in a personal wellness account. Each employee has a wellness account established with two parts to it, one part is mandatory and one part is voluntary. For each premium dollar provided to cover their health plan expenses (i.e., single employee or with dependent coverage) a point is put into the premium/claims side of their wellness account. For each claims dollar paid on their behalf or their dependents behalf a point is withdrawn from the premium/claim side of their wellness account.

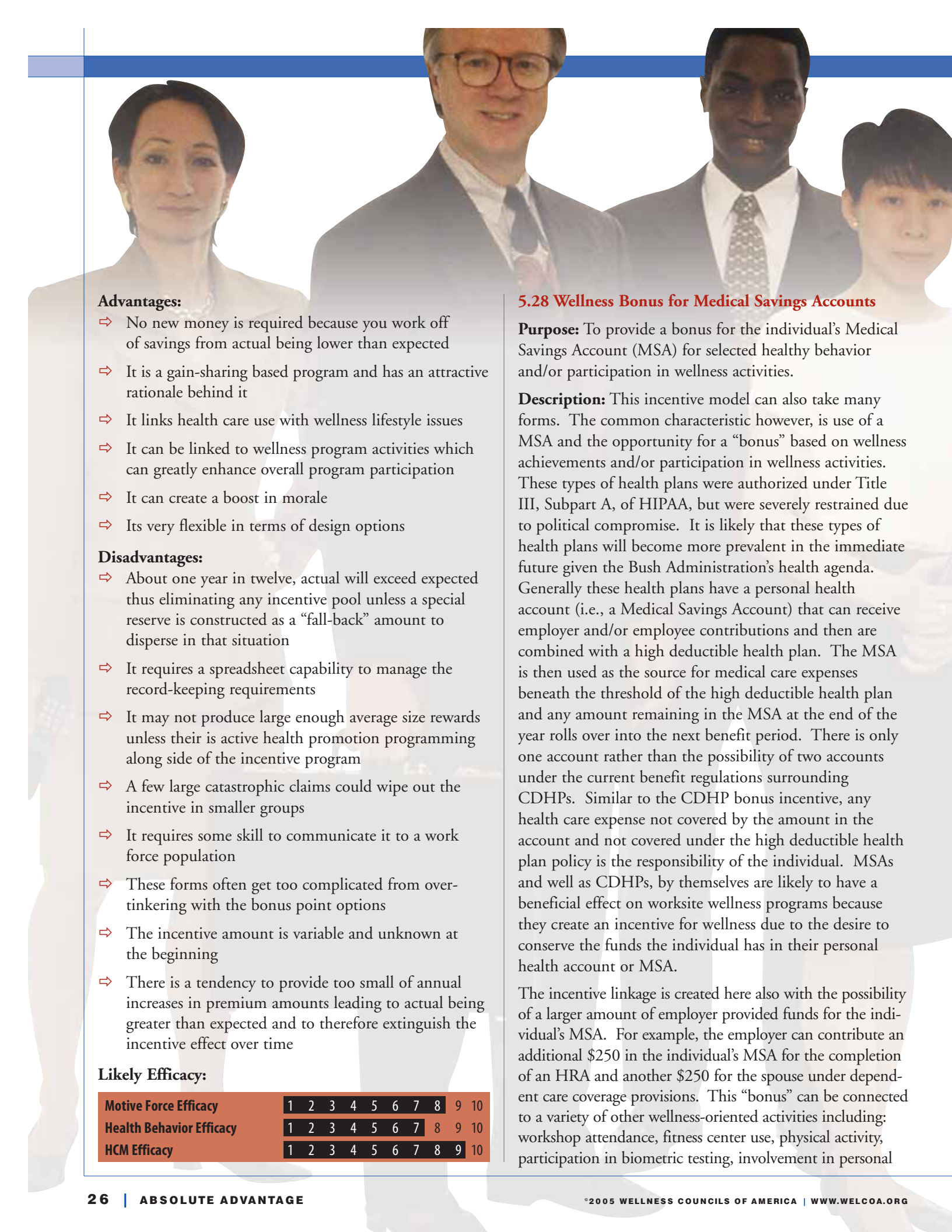
If their family uses more claims dollars than they have in premium dollars or points, that side of their account is zeroed out. The other side of their wellness account is voluntary and a maximum total of 4,000 to 5,000 wellness bonus points are awarded to those who meet the wellness criteria. Ten wellness criteria providing 500 points each can provide a potential of 5,000 wellness points. At the end of the plan year 50% of the difference between the expected and actual claims expense is put into the incentive pool to distribute to employees. The other 50% of the savings is retained by the employer and potentially can be used to create a reserve for funding wellness programs. In order to determine how much a specific individual would receive, all the points in all the wellness accounts for all employees would be summed and then divided into 50% of the difference. This usually ends up being between \$0.04 and \$0.18 per point. If the individual has few health care expenses and has done very well in receiving wellness bonus points, he or she may have 9,000 points in their wellness account. If the value per point was \$0.10 then the individual would receive a total of \$900 before taxes. This is a gain-sharing program applied to health behavior and health care use behavior.

Common Forms: The use of 8-10 wellness criteria with applicable bonus points, a two-part account (health care claims and wellness bonus points), and lump sum cash wellness bonus checks are common forms of this type of incentive.

Major Design Issues:

1. Number of wellness bonus points possible.
2. Premium setting methodology for the health plan.
3. Fall back provisions if actual is higher than expected.
4. Payment and pool calculation methodology.
5. Pay-out timing, process and ceremony.
6. Carving out of preventive services so that they don't reduce points in wellness accounts.





Advantages:

- ⇒ No new money is required because you work off of savings from actual being lower than expected
- ⇒ It is a gain-sharing based program and has an attractive rationale behind it
- ⇒ It links health care use with wellness lifestyle issues
- ⇒ It can be linked to wellness program activities which can greatly enhance overall program participation
- ⇒ It can create a boost in morale
- ⇒ Its very flexible in terms of design options

Disadvantages:

- ⇒ About one year in twelve, actual will exceed expected thus eliminating any incentive pool unless a special reserve is constructed as a “fall-back” amount to disperse in that situation
- ⇒ It requires a spreadsheet capability to manage the record-keeping requirements
- ⇒ It may not produce large enough average size rewards unless there is active health promotion programming along side of the incentive program
- ⇒ A few large catastrophic claims could wipe out the incentive in smaller groups
- ⇒ It requires some skill to communicate it to a work force population
- ⇒ These forms often get too complicated from over-tinkering with the bonus point options
- ⇒ The incentive amount is variable and unknown at the beginning
- ⇒ There is a tendency to provide too small of annual increases in premium amounts leading to actual being greater than expected and to therefore extinguish the incentive effect over time

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10

5.28 Wellness Bonus for Medical Savings Accounts

Purpose: To provide a bonus for the individual’s Medical Savings Account (MSA) for selected healthy behavior and/or participation in wellness activities.

Description: This incentive model can also take many forms. The common characteristic however, is use of a MSA and the opportunity for a “bonus” based on wellness achievements and/or participation in wellness activities. These types of health plans were authorized under Title III, Subpart A, of HIPAA, but were severely restrained due to political compromise. It is likely that these types of health plans will become more prevalent in the immediate future given the Bush Administration’s health agenda. Generally these health plans have a personal health account (i.e., a Medical Savings Account) that can receive employer and/or employee contributions and then are combined with a high deductible health plan. The MSA is then used as the source for medical care expenses beneath the threshold of the high deductible health plan and any amount remaining in the MSA at the end of the year rolls over into the next benefit period. There is only one account rather than the possibility of two accounts under the current benefit regulations surrounding CDHPs. Similar to the CDHP bonus incentive, any health care expense not covered by the amount in the account and not covered under the high deductible health plan policy is the responsibility of the individual. MSAs and well as CDHPs, by themselves are likely to have a beneficial effect on worksite wellness programs because they create an incentive for wellness due to the desire to conserve the funds the individual has in their personal health account or MSA.

The incentive linkage is created here also with the possibility of a larger amount of employer provided funds for the individual’s MSA. For example, the employer can contribute an additional \$250 in the individual’s MSA for the completion of an HRA and another \$250 for the spouse under dependent care coverage provisions. This “bonus” can be connected to a variety of other wellness-oriented activities including: workshop attendance, fitness center use, physical activity, participation in biometric testing, involvement in personal

health coaching, completion of preventive care requirements, etc. Contribution of the amount by the employer into the individual's MSA is tax advantaged for both the employer and employee. At the time of this writing, MSAs were limited to employer organizations with less than 50 employees and are attached to some unrealistic plan design requirements.

Common Forms: Most MSAs are limited by federal law in 2000 to the following limits:

LIMITS ON MEDICAL SAVINGS ACCOUNTS: 2000

Type of Coverage	Min. Annual Deductible	Max. Annual Deductible	Max. Annual Out-of-Pocket
Self-only	\$1,550	\$2,350	\$3,100
Family	\$3,100	\$4,650	\$5,700

These limits are designed to change each year. These are another reason the move to use MSAs has been extremely slow. Individuals can contribute up to 75% of the amount of your annual health plan deductible. Additional wellness bonus amounts can not exceed this limit.

Major Design Issues:

1. The use of a complying MSA.
2. The level of the complying high deductible plan.
3. The standard personal health care account contribution level.
4. The size of the "bonus" amount.
5. The required activity to qualify for the "bonus".
6. The process for qualifying for the "bonus".
7. Use of multiple or tiered bonus levels.

Advantages:

- ⇒ MSAs are attractive to those who qualify for them
- ⇒ Can send a clear and decisive message on healthy behavior
- ⇒ Has intuitive appeal particularly when coupled with data on the relationship of health risk to health costs when justifying the use of the incentive
- ⇒ Relatively easy-to-understand and communicate

- ⇒ Can be linked to a variety of health behaviors as long as participation opportunities are also provided
- ⇒ MSAs are likely to become more universal and with fewer limitations in the coming years.
- ⇒ Creates an excellent vehicle for financing health care after retirement and before the individual is eligible for Medicare.
- ⇒ Interest accrues on the MSA and is tax exempt

Disadvantages:

- ⇒ MSAs have a number of unfortunate limitations from the political compromise around its passage. These limitations include:
 1. Limited to companies with fewer than 50 employees or if you are self-employed.
 2. The maximum deductible levels are excessively high.
 3. High Deductible Health Plans (HDHPs) can not have individual versus family deductibles.
 4. Prohibited if you have another health plan.
 5. Both the employer and the employee can not make contributions to the MSA in the same year.
 6. Withdrawals for other than qualified medical expense trigger income tax and a 15% excise tax.
 7. Annual contributions are limited to 75% of the annual deductible. You pay a 6% excise tax on excess contributions.
 8. Can't treat insurance premiums as qualified medical expenses from your MSA.
 9. Must contribute the same amount to all comparable employees.
- ⇒ Requires a new "defined contribution" type of approach rather than defined benefit approach and movement away from the entitlement mentality that surrounds most health benefit programs.

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10

5.29 Health Plan Preventive Benefit Incentive

Purpose: To provide an incentive for the timely and consistent performance of preventive screening and preventive care.

Description: This incentive model can also take many forms. The common characteristic however, is the use of an incentive for timely completion of recommended preventive screening and preventive care.

The design of the preventive medical benefit is usually the place where the incentive is imbedded in the plan design. The incentive can take the form of reduction of the level of the individual deductible (i.e., \$500 rather than \$750) if the covered individual is current with all recommended preventive screening and exams. The U.S. Preventive Services Task Force recommendations can be used to structure the periodic screening and exam requirements. The preventive services themselves should be covered at a 100% reimbursement level by the health plan based on the findings from a number of landmark studies, such as the Rand Health Insurance Study.

Another type of incentive may provide a lower payroll contribution level if the individual’s primary care physician (PCP) signs a statement that the individual is fully up-to-



date with any preventive care. Another version may provide for a lower Maximum-out-of-pocket (Individual or family) if both the employee and their spouse is fully current with any preventive care need. An alternative approach is to provide an additional amount for the CDHP health account, MSA or for a Flexible Spending Account for compliance with preventive care needs. Completion of required preventive care can also be included with wellness achievement types of criteria in other incentive programs. Also the design of the preventive care benefit should have an annual maximum, such as \$350 in order to prevent abuse.

Common Forms: No common forms exist due to the relative rarity of this approach.

Major Design Issues:

1. The inclusion of preventive medical benefit coverage.
2. The percent of cost reimbursed by the health plan.
3. The range of covered preventive services.
4. The presence and level of annual dollar maximum.
5. The role of the PCP.
6. The age and/or gender differences in the benefit.
7. The nature and magnitude of any incentive.
8. The process used for verification.
9. The basis for any guidelines or standards used.

Advantages:

- ⇒ It is fairly easy to design preventive medical benefits
- ⇒ It is attractive to most health plan members
- ⇒ Can send a clear and decisive message on prevention
- ⇒ Relatively easy-to-understand and communicate
- ⇒ Can be very positive plan feature if communicated in an effective manner
- ⇒ Can be used with a variety of incentive rewards and features

Disadvantages:

- ⇒ Requires a new type of benefit for many health plans
- ⇒ Levels of benefits and magnitude of incentive may be difficult to establish in a definitive manner
- ⇒ The US Preventive Services Task Force recommendations do not easily lend themselves to simple plan design features

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10

5.3 Wellness Incentives Linked To Other Benefits

These wellness incentives are all linked in some fashion to one or more facets of the most typical forms of employee benefits.

5.31 Flex Plan Wellness Bonus Credits

Purpose: To provide an incentive for healthy behaviors and wellness program participation linked to a Section 125 Cafeteria Plan

Description: This form of incentive provides additional amounts of flex plan credits or benefit dollars to those employees who complete the qualifying wellness activities. The most typical approach is to have employees submit a statement at the time of open enrollment for the various benefit choices that employees have available to them. The statement requests a fixed amount of benefit credits or dollars based on the individual's meeting a series of wellness criteria. These criteria usually include 5-10 specific wellness activities and/or participation in various wellness program activities. The individual then receives a number of credits based on the number of wellness criteria they meet. Once these are verified, where possible, the individual employee then has the opportunity to buy additional benefits or use the pre-tax dollars in a tax advantaged or cash out flexible benefits option.

The rating of the wellness flex plan credits and the plan choices and uses can be either cost neutral or can be funded with additional benefit dollars. Any cash disbursement would trigger employee tax consequences. The major activity with this type of incentive takes place during the open enrollment period and depending of the range of benefit options and their "cost" to the employee, the incentive motive force can be significant.

Common Forms: Ten wellness attributes at \$30-\$100 each producing an incentive reward of \$300-\$1,000 in pre-tax dollars.

Major Design Issues

1. Use of a flex plan structure.
2. The choice of number and type of wellness criteria.
3. The amount of benefit dollars or credits attached to the criteria.
4. Use of a minimum number of attributes as a requirement.
5. The process used to request wellness flex plan credits.
6. The rating structure used in the flex plan for pricing benefit options.
7. The benefit options that can be purchased with the additional benefit credits.



Advantages:

- ⇒ This incentive form is easy to add to an existing flex plan
- ⇒ The dollars used can be cost neutral
- ⇒ The financial reward is tax free if qualified flex plan options are used
- ⇒ If the size of the benefit credit reward is large enough it can have significant incentive force
- ⇒ The incentive can be changed easily for future years

Disadvantages:

- ⇒ The qualifying process and verification adds some additional complexity to the annual enrollment process
- ⇒ The amount of benefit credits used needs to be significant (i.e., >300)
- ⇒ The incentive value is limited to the qualified benefit options which are usually producing a future tangible benefit rather than an immediate cash value or tangible reward
- ⇒ The incentive may not have a strong enough motive force to affect the high-risk population
- ⇒ To be effective it may require a number of benefit options within the flex plan
- ⇒ It may be difficult initially to estimate how many people will utilize the incentive

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10



5.32 Flex Spending Account (FSA) Bonus

Purpose: To link wellness activity to employer provided bonus amounts placed in a health care Flexible Spending Account (FSA) under a Section 125 Cafeteria or Flexible Benefit Plan.

Description: This incentive uses a health care FSA for those who qualify by meeting a minimum number of wellness criteria. The amount is usually between \$250 and \$1,000 and can be used by the eligible employee to cover expenses that are health related and not reimbursed by his or her health plan. This incentive approach effectively offsets some health plan cost sharing and provides an opportunity to enrich the scope of benefits covered by the health plan. Under current tax law, any amount remaining in the health care FSA at the end of the benefit year is to be retained by the employer. Congress and/or the Bush Administration are expected to initiate legislative changes in FSA to allow “roll-over” of any unexpended balance into the following benefit year like an MSA. This will make FSA more attractive as benefit vehicles for employers to use in health cost management efforts. Employers can develop

their own rules that limit the types of expenses that the Flexible Spending Accounts (FSA) can be used to reimburse. Here again the range of wellness related activities that can be used in the incentive criteria are very broad.

Common Forms: Typically employers have used a \$250 - \$350 amount for the incentive bonus.

Major Design Issues:

1. Use of existing or initiation of new FSA opportunities.
2. Amount of the bonus for those who qualify for the wellness criteria.
3. Structure of the reward (i.e., incremental or fixed amount for meeting a minimum number of criteria).

Advantages:

- ⇒ The amount of the bonus can be changed fairly easy to allow fine tuning of the incentive
- ⇒ The amount put into employee accounts will not necessarily be spent if it remains a “use it or lose it” benefit, which reduces the actual net total cost to the employer
- ⇒ The incentive utilizes existing administrative processes used for flexible spending account management
- ⇒ It is an opportunity to temporarily enrich the health plan benefit coverage
- ⇒ The installation of this form of incentive would be very easy if flexible spending accounts were already in use

Disadvantages:

- ⇒ The utility associated with the reward is limited to IRS allowed health expenses (e.g. which does not currently include health club dues)
- ⇒ The nature of the flexible spending account currently encourages a consumption-orientation because of it’s “use it or lose it” requirement
- ⇒ There is no opportunity presently to allow the build up of resources to cover future health care expenses
- ⇒ The incentive does not directly affect health care use decision-making
- ⇒ It may remove too much of the cost sharing under the plan leading to an increase in the use of unnecessary health services
- ⇒ If the amount is not significant it will likely have limited motive force

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10

5.33 Well Day Reward

Purpose: This incentive involves the provision of a “well day” award for meeting wellness criteria and/or participating in wellness program activities.

Description: This incentive uses an award of a “Well Day” or “Well Days.” The Well Day(s) can be taken as an extra vacation day, extra sick leave day, additional administrative leave or holiday leave. It can be used as an award linked to meeting one or more wellness criteria under a traditional leave system, with its categorical leave or under a combined leave system. This provides additional paid leave for the individual employee that qualifies.

Common Forms: Typically employers provide a “Well Day” for completion of an HRA.

Major Design Issues:

1. The number of Well Days that can be earned.
2. The number of wellness criteria that must be met to receive the reward.
3. The nature of the wellness criteria or activities that would be required.
4. What types of leave the Well Day can be used to meet.
5. Any time limits on when the Well Day must be taken.
6. Any limitation as to when the Well Day can be used.

Advantages:

- ⇒ An additional leave day is usually highly valued by employees
- ⇒ The employer can define the use rules for the Well Day
- ⇒ If the organization moves to a combined leave structure from a traditional leave system, several Well Days can be included in the formulation of the new combined leave approach
- ⇒ It does not create a new form of financial resources that must be created to establish the incentive feature
- ⇒ If there is a time limit on the use of the Well Day it may help that portion of the work force that under-utilizes time off

Disadvantages:

- ⇒ The additional day off has a widely varying economic cost to the organization based on the individual’s wage and salary level
- ⇒ The additional day off can complicate coverage decisions for supervisors
- ⇒ For those individual who don’t take their existing leave its not likely to be much of an incentive
- ⇒ If sick leave is very loosely used an extra day may not seem like much

- ⇒ It does create an additional record-keeping activity
- ⇒ It may not fit well if collective bargaining agreements are in place

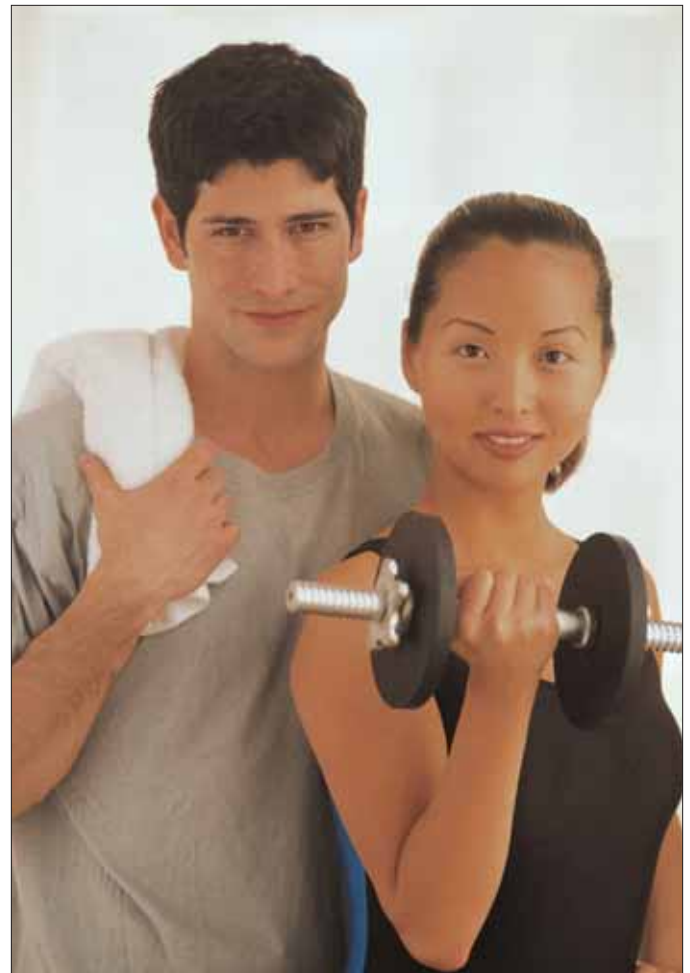
Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10

5.34 Combined Leave Bonus Days

Purpose: This incentive is similar to the Well Day reward and involves the provision of several additional combined leave days for meeting wellness criteria and/or participating in wellness program activities.

Description: This incentive uses an award of several additional leave days for meeting a minimum number of wellness criteria. The additional leave days under the combined leave system, can be taken for whatever purpose the individual wants to meet. It can be used as an incremental reward linked to meeting a succession of wellness criteria or minimum numbers of tiers of days based on the qualifying criteria. This typically provides additional paid leave days for the individual employee that qualifies.





Common Forms: Typically employers provide up to three additional leave days for successfully meeting several wellness criteria.

Major Design Issues:

1. The number of combined leave days that can be earned.
2. The number of wellness criteria that must be met to receive the reward.
3. The nature of the wellness criteria or activities that would be required.
4. Any time limits on when the additional leave days must be taken.
5. Any limitation as to when the additional leave days can be used.

Advantages:

- ⇒ Additional leave days are usually highly valued by employees
- ⇒ The employer can define the use rules for the additional leave
- ⇒ If the organization moves to a combined leave structure from a traditional leave system, several Well Days can be included in the formulation of the new combined leave approach
- ⇒ It does not create a new form of financial resources that must be created to establish the incentive feature
- ⇒ If there is a time limit on the use of the combined leave days it may help that portion of the work force that under-utilizes time off

Disadvantages:

- ⇒ The additional days off have a widely varying economic cost to the organization based on the individual's wage and salary level
- ⇒ The additional days off can complicate coverage decisions for supervisors
- ⇒ For those individual who don't take their existing leave, its not likely to be much of an incentive
- ⇒ If sick leave is very loosely used, a couple of extra days may not seem like much
- ⇒ It does create an additional record-keeping requirement
- ⇒ It may not fit well if collective bargaining agreements are in place

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10

5.35 Sick Leave Accrual Bonus

Purpose: This incentive is similar to the combined leave bonus days and involves the use of higher levels of unused sick leave accrual carry over and ultimately payout or use, for meeting wellness criteria and/or participating in wellness program activities.

Description: This incentive uses an award of the use of higher levels of unused sick leave accrual carry-over for meeting a minimum number of wellness criteria. For example, instead of limiting sick leave accrual to a maximum of 30 days, the individual who qualifies in meeting the wellness criteria gets to increase their accrual level five additional days for each successful year of meeting the wellness criteria. A maximum of 180 days may be used to limit unfounded liability. The additional leave days at the time of retirement, can be cashed out or taken before retirement. It can be used as an incremental reward in days linked to meeting a succession of wellness criteria based on the qualifying criteria. This typically provides additional sick leave days for the individual employee that qualifies.

Common Forms: No common forms exist due to the relative rarity of this approach.

Major Design Issues:

1. The beginning number of maximum unused sick leave accrual days.
2. The number of wellness criteria that must be met to receive the accrual bonus award.
3. The nature of the wellness criteria or activities that would be required to qualify.
4. The annual increase in the accrual maximum in number of days.
5. Any time limits on when the additional days must be taken.
6. Any limitation as to when the additional leave days can be used.
7. The maximum number of accrued sick leave days that can be carried forward.
8. The cash out or use options to be made available.

Advantages:

- ⇒ Helps act as a continual incentive for low sick leave use
- ⇒ The employer can define the use rules for the additional accrual of days
- ⇒ The payout is moved into the future
- ⇒ If the organization moves to a combined leave structure from a traditional leave system, several Well Days can be included in the formulation of the new combined leave approach

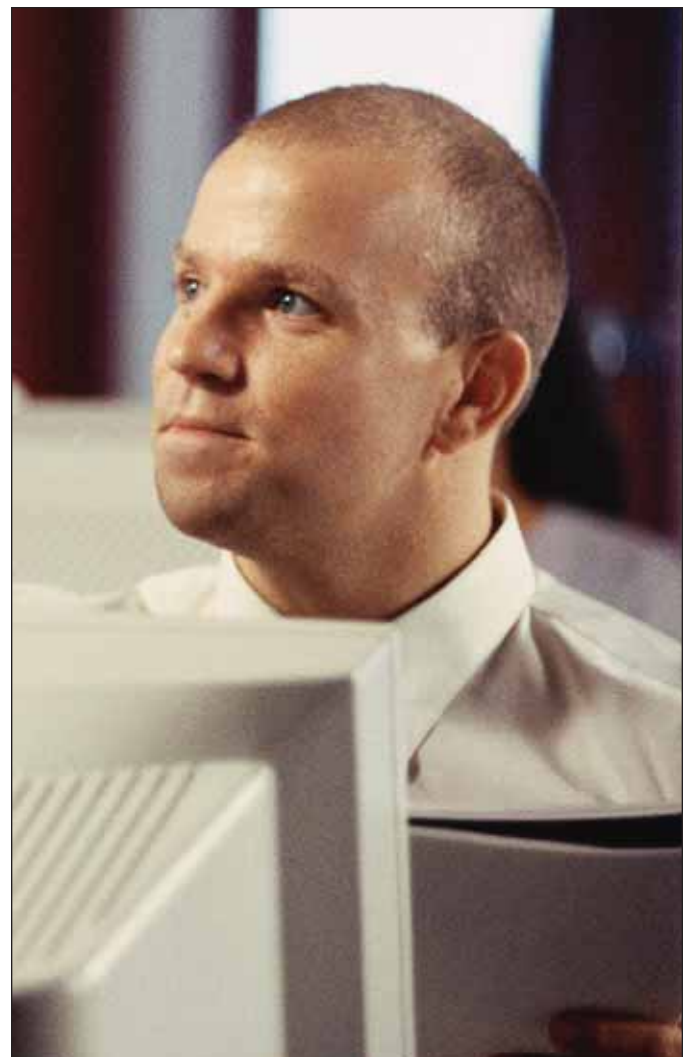
- ⇒ It does not create a new form of financial resources that must be created to establish the incentive feature
- ⇒ It acts as an incentive for employee retention

Disadvantages:

- ⇒ The value of the incentive is limited to those long term employees who do not use sick leave which makes the motive force of the incentive somewhat low
- ⇒ The additional days have a widely varying economic cost to the organization based on the individual's wage and salary level
- ⇒ The additional days can complicate coverage decisions for supervisors when employees retire
- ⇒ It does create an additional record-keeping requirement
- ⇒ It also produces a potentially large unfunded liability

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10



5.36 Time and Travel Reward System

Purpose: To link wellness activities and achievements to lottery drawings for combined time off and travel awards (i.e., “Wellness Get-Aways”) in order to provide an increased level of adherence to healthy behaviors.

Description: This form of incentive provides a block of additional annual leave or vacation days and an airline travel coupon lotteries attached to achievement of selected wellness criteria. The time off is then administered by current time keeping systems. Everyone can get the time off portion and the lottery drawing would be used to award the travel component. This incentive can include a drawing for air-travel coupons or vouchers for those qualifying individuals. The connection between the time off and the travel reward is synergistic and would tend to enhance the incentive’s motive force. Longevity increments could also be added through the use of increased lottery entries for those who have qualified in the past by meeting the wellness criteria over time or who have qualified for more criteria. First class upgrade coupons could be included in this incentive form to further increase the motive force.

Common Forms: The most typical approach is to award 3-7 days of additional vacation for a fixed or variable level of achievement of a set of wellness attributes and to provide a drawing for the airline and hotel coupons.

Major Design Issues:

1. Use of multiple amounts of time-off.
2. The criteria to be used for the qualifying requirements.
3. The use of a lottery process for the travel rewards.
4. The extent of the travel rewards to be used.
5. The rules for how the time-off and the travel rewards can be used.
6. The lottery process rules.

Advantages:

- ⇒ Has the advantage of being a good morale booster in organizations experiencing a lot of corporate pressures
- ⇒ Adds a dimension of fun to the work place
- ⇒ The cost is in the form of “soft dollars” due to discounts on packages
- ⇒ The travel coupons and vouchers are usually available through frequent flyer incentives attached to business travel
- ⇒ It can be integrated with traditional or combined leave systems
- ⇒ Can be promoted heavily and linked to the wellness concept

Disadvantages:

- ⇒ The amount of time off needs to be sizable enough to have a realistic level of motive force
- ⇒ The reward is much more powerful if it includes a trip for two
- ⇒ Unless the probability of winning is perceived as reasonable it will not likely have a high level of motive force
- ⇒ A segment of the work force does not value time-off so the attractiveness of this incentive is limited with that group
- ⇒ Will work better in settings with tight control on time use and limited time off

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10

5.37 Safety Bingo for Work Injury Reduction

Purpose: To create a set of group norms for improved safety through the use of cash rewards and a bingo game format.

Description: This benefit-linked incentive involves the operation of a daily or end of shift bingo game with cash awards. All employees can play and 1-3 numbers are selected and posted at the end of every shift where there is not a work loss time injury. As soon as there is a work loss time injury the game is ended and a new game with new cards is started. Cash awards can be given for “bingo,” safety “T”(solid line across the top and down the middle), and a “blackout.” When someone gets a “blackout”(i.e., all squares filled in) or a second “bingo” or safety “T,” the game is declared over and a new one starts. This type of incentive contest creates stronger group norms for safety practices.

Common Forms: The most typical approach used is to run the bingo game each shift or day and re-start the game if a work loss time injury occurs. The typical amounts used are \$75 for a bingo, \$100 for a safety “T,” and \$125 for a “blackout.”

Major Design Issues:

1. Use of bingo game.
2. The game rules.
3. The population that can play the game.
4. The qualifying activity and the rewards to be used.
5. The officials who will run the game.

Advantages:

- ⇒ Has the advantage of being a good morale booster in organizations

- ⇒ Adds a dimension of fun to the work place
- ⇒ The cost is not large
- ⇒ The game will create more social pressure for the use of safety practices
- ⇒ It can have a very significant effect on workers' compensation costs
- ⇒ The game may move some injuries into the health plan rather than the workers' compensation program

Disadvantages:

- ⇒ The game may not easily fit the work force location, movement, communication limits, etc.
- ⇒ The game can lead to overly strong peer pressure if not counter-balanced
- ⇒ If the game rules are sloppily applied it can lead to resentment
- ⇒ Those employees who can't play may resent the game
- ⇒ May get stale if not consistently supported

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10

5.38 Flex Time Reward System

Purpose: To create an incentive for wellness achievements and participation in wellness activities connected to the use of flexible work schedules.

Description: This benefit-linked incentive involves the development and use of flexible work schedule contracts that are consummated with those who qualify for wellness achievement and/or participation in wellness activity. One of the criteria can be an agreement to use the flexible work schedule for physical activity. The contract can be for a six-month time period and would have some accountability provisions.

Common Forms: No common forms exist due to the relative rarity of this approach.

Major Design Issues:

1. The corridor of time where no flexibility is available (i.e., "core hours").
2. The possible flexible time blocks.
3. The nature of the contract document.
4. The process for qualification for entering into a contract.
5. The renewal period and process.
6. The record-keeping process.

Advantages:

- ⇒ Has the advantage of being a good morale booster in organizations
- ⇒ The cost is negligible
- ⇒ Flexible work scheduling is usually highly valued by employees
- ⇒ This incentive can be used to enhance the use of onsite fitness facilities



Disadvantages:

- ⇒ Flexible work scheduling may not be compatible with other work force initiatives (i.e., ride sharing, team-based management approaches, energy conservation, customer service initiatives, etc.)
- ⇒ The different schedules can create a challenge for managers and supervisors
- ⇒ The incentive may create more administrative burdens
- ⇒ Those employees who don't qualify may resent the others that do

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10

5.39 Improved Life, Retirement, AD&D and Disability Benefits

Purpose: To link wellness achievements and participation in wellness activities to improvements in selected benefits.

Description: By enhancing selected benefit features an incentive can be created for meeting wellness criteria. The form and nature of the benefit enhancements are many. Some examples include: additional non-traditional therapies (i.e., acupuncture, naturopathic medicine, etc.) added to a health plan, addition of an additional \$50,000 of life insurance coverage, improved award levels of Accidental Death and Dismemberment (AD&D) coverage, higher employer matching amounts or rate for 401(k) contributions, and/or higher percent of income thresholds in disability insurance.

Common Forms: No common forms exist due to the relative rarity of this approach.

Major Design Issues:

1. The categories of benefits where enhancements are available.
2. The level and amount of the enhancement.
3. The degree of linkage between the various benefit enhancements.
4. The number, nature and specifics of the qualifying activities.
5. The length of duration of the enhanced benefits.

Advantages:

- ⇒ Can create attractive benefit enrichment option attached to wellness

Disadvantages:

- ⇒ Needs to be designed so that it has sufficient motive force for those with health risks

- ⇒ Requires administrative record-keeping
- ⇒ May not have broad enough appeal in the work force
- ⇒ Does not necessarily affect health care decision-making
- ⇒ Typically is more difficult to communicate to employees
- ⇒ Real benefit is only achieved through low probability events leading to relatively low motive force

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10

5.4 Cash and Merchandise

5.41 Direct Cash Rewards

Purpose: To provide a direct linkage between the achievement of specific wellness criteria and the receipt of a cash reward.

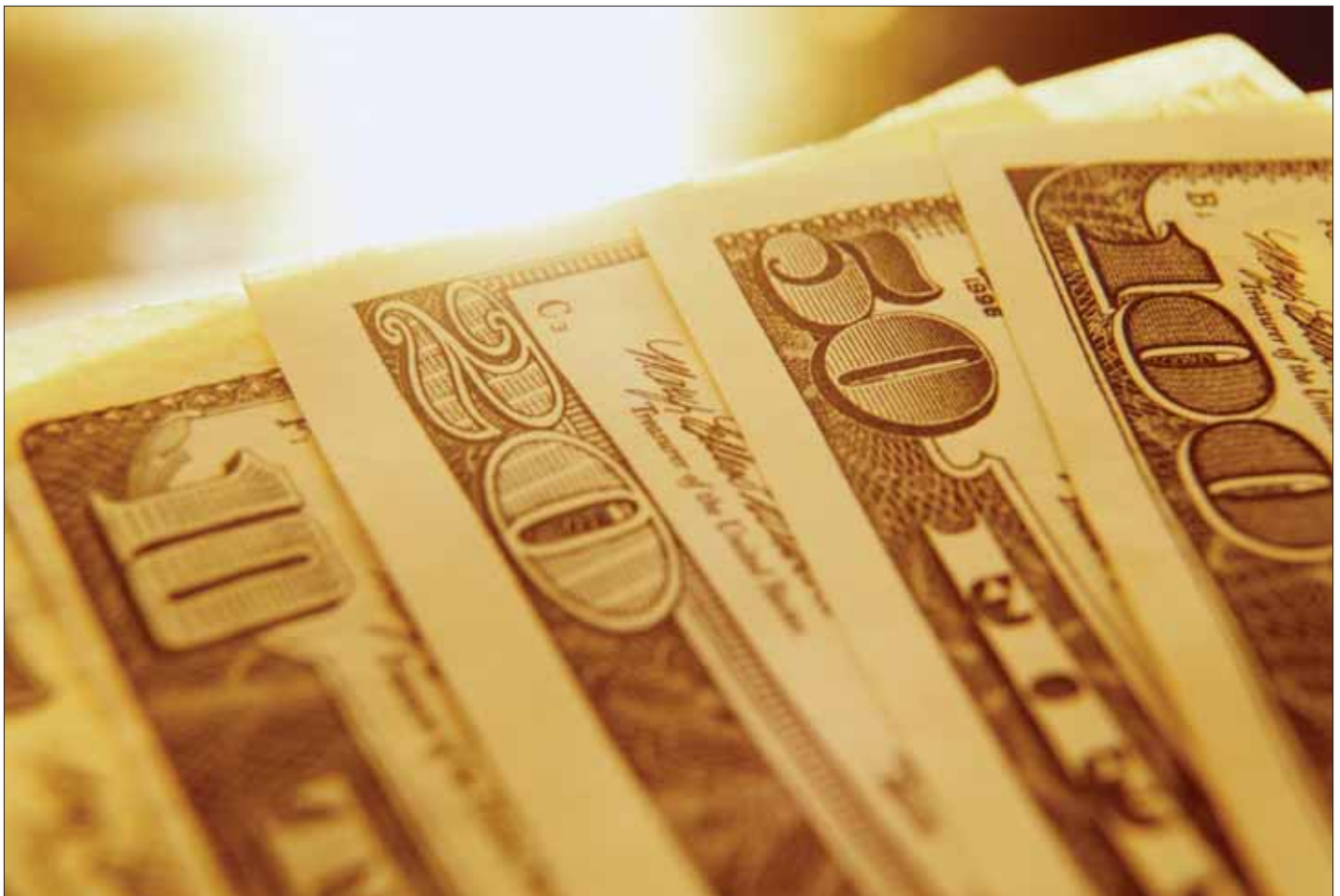
Description: This incentive approach usually involves a variety of variations on the basic model. Individual participants can voluntarily engage in efforts to achieve 5-12 wellness criteria that will qualify them for receiving a known

cash reward. Typically, the amount of the financial reward is usually \$150 and \$500 and is usually attached to achievement of one or more numbers of formal wellness criteria. The best example of this form of wellness incentive program is Providence Health System—Everett’s Wellness Challenge® Program. This program is based on a \$250 initial reward with a \$25 and then a \$50 graduated incremental award to participants who become Wellness Winners for several years. All of the descriptive information on this program is provided in the first article of this issue.

Common Forms: The Providence Health System—Everett Wellness Challenge® Program.

Major Design Issues:

1. Choice of number of wellness criteria.
2. The threshold qualifying level of each criteria.
3. The number and size of the cash rewards.
4. The additional increments of cash for retention.
5. The amount of organizationally provided activity to help individuals successfully meet the program’s requirements.
6. The record keeping system and approach.
7. The general and specific rules for the incentive program.



Advantages:

- ⇒ It helps streamline a traditional wellness program that has tried to conduct too many activities
- ⇒ It can get many more people participating in the program
- ⇒ It has a great deal of general appeal
- ⇒ It can affect a number of organizational issues directly such as health care use, sick leave use, work injury prevention, etc.
- ⇒ It has a formal peer review article evaluation in the literature
- ⇒ The program is packaged and available for purchase to reduce the developmental time and burden

Disadvantages:

- ⇒ It requires an up-front budgeting decision
- ⇒ It is difficult to determine accurately what likely participation levels will be experienced in the program's first year
- ⇒ It requires a fairly extensive administrative commitment to programming
- ⇒ It requires taxation of the cash reward significantly reducing its value

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10

5.42 Merchandise and Coupon Award Program

Purpose: To provide a direct linkage between the achievement of specific wellness criteria and the award of merchandise or merchandise coupons.

Description: This incentive approach usually involves a variety of variations on the basic model. Merchandise is typically used as participation incentives such as door prizes or lottery drawings for merchandise for participants of specific activities. Individual participants can also voluntarily engage in efforts to achieve 5-12 wellness criteria that will qualify them for selecting some known merchandise rewards. Typically, the value of the merchandise reward is usually under \$100 and is usually attached to achievement of one or more numbers of formal wellness criteria. In the Providence Health System—Everett's Wellness Challenge® Program a \$50 coupon for redemption of merchandise is provided to those that qualify by meeting more than five wellness criteria but less

than eight. The type of merchandise provided as an incentive is important and should be researched with the target group prior to finalizing the selection of items. Merchandise is the most typical form of incentive used in the worksite wellness field. In Appendix C the reader will find a list of possible material goods that can be used as incentive rewards in worksite wellness programs.

Common Forms: The most common form is providing a \$50 merchandise coupon redeemable at a store like Home Depot.

Major Design Issues:

1. The identification of the qualifying event.
2. The merchandise or material goods to be used.
3. The process for distribution.
4. The use of a catalog of items and choice.
5. The record keeping system and approach.
6. The general and specific rules for the incentive program.

Advantages:

- ⇒ Actual merchandise items or redemption coupons can be very attractive if they are highly valued by individuals in the target population
- ⇒ It can get many more people participating in the program
- ⇒ It can have a broad basis of appeal
- ⇒ It can be one of the more simple incentive programs to operate
- ⇒ It is frequently possible to get donated merchandise where program budgets are minimal

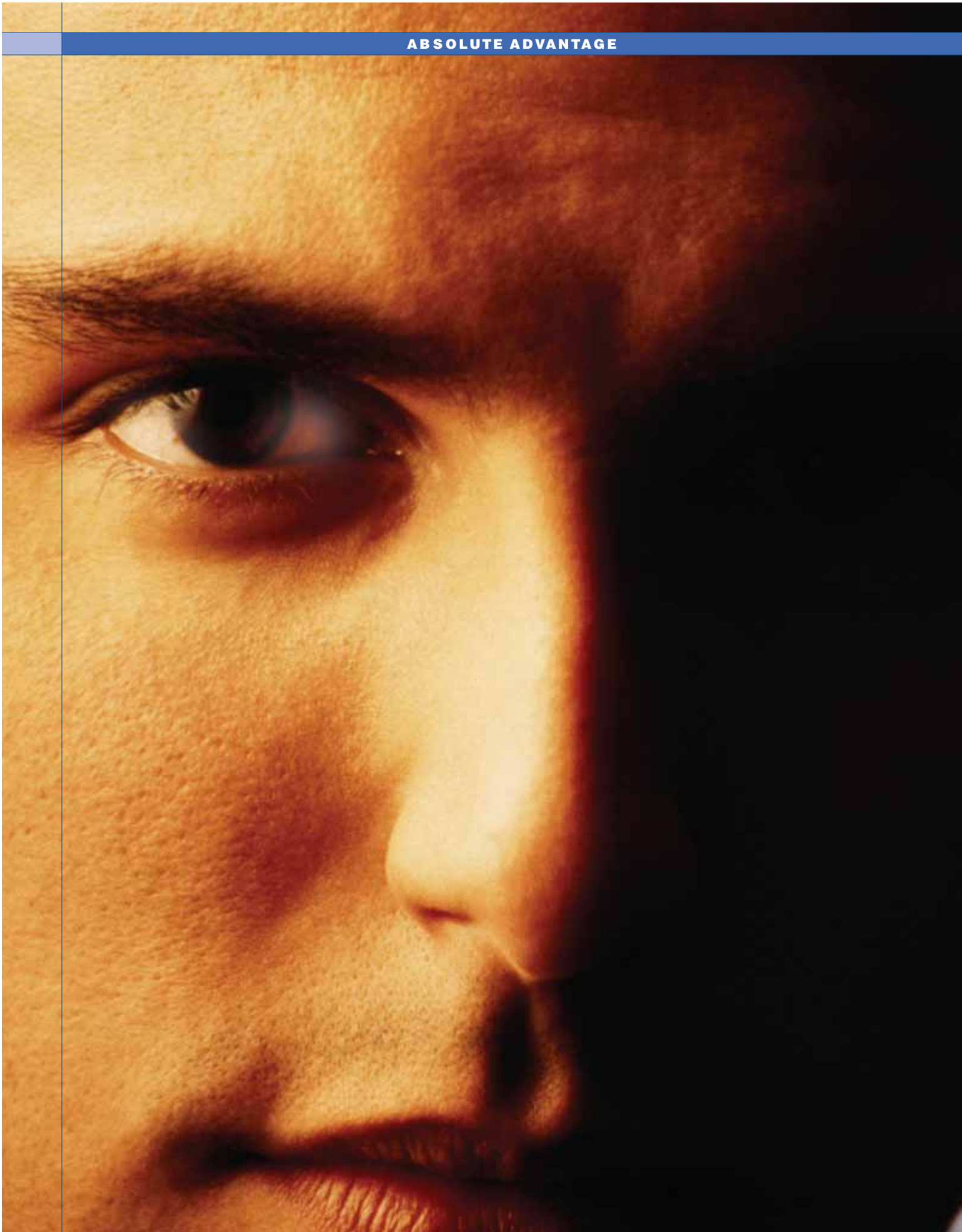
Disadvantages:

- ⇒ It requires an up-front budgeting decision
- ⇒ It is difficult to determine accurately what merchandise items will have the most appeal
- ⇒ Once the item is received by the individual it loses its appeal to that individual, except for some items where duplicates are useful
- ⇒ It requires ordering and maintenance of an inventory which can become onerous
- ⇒ It usually signifies only minimal cost so that it communicates and associates that value to the population at large

Likely Efficacy:

Motive Force Efficacy	1	2	3	4	5	6	7	8	9	10
Health Behavior Efficacy	1	2	3	4	5	6	7	8	9	10
HCM Efficacy	1	2	3	4	5	6	7	8	9	10





Incentives

Creative Incentive Ideas For Wellness Programs

There are many components of wellness programs that can be enhanced by the use of incentives using a collection of different pay values. In this section we match incentive types to common wellness program components to help provide ideas for making your program more effective. In selecting the right mix of incentive features it is good to keep in mind that you want to use incentives carefully and not simply apply an incentive for every desired behavior. The main reason this is not a good idea is that it confuses the people you want to incent about what is really important and can lead to people avoiding your program. Perception is a critical part of incentive design and operation and an overly complicated incentive program with too many required behaviors and possible prizes to choose from is overwhelming to potential users.

Therefore, the careful selection of suggestions from the following lists should be based on your assessment of what are the most important behaviors you want to motivate and the incentive pay values that have the most potential of assuring participation. This process is even more beneficial when you align these possible incentives with your current program goals.

TYPES OF WELLNESS PROGRAM COMPONENTS

1. Health Risk Appraisals (HRA)

This section deals with incentives for the following desired behaviors:

Behavioral Goals

⇒ *Initial and subsequent completion of an HRA*

To Increase Completion Rates For HRAs

- ⇒ Make completion of an annual HRA contingent on continued benefit eligibility for flex plan benefits.
- ⇒ Make completion of an annual HRA contingent on continued benefit eligibility for health plan coverage.
- ⇒ Make completion of an HRA contingent on the receipt of an additional bonus amount for deposit into a Consumer-Driven Health Plan (CDHP) account.
- ⇒ Make completion of an HRA contingent on the receipt of any annual compensation bonus.
- ⇒ Make completion of an HRA contingent on the receipt of a discount or waiver of the health plan contribution amount.
- ⇒ Make completion of an HRA contingent on the receipt of a flex plan benefit credit or dollar bonus.
- ⇒ Make completion of an HRA contingent on the receipt of additional vacation or combined leave days.
- ⇒ Make completion of an HRA contingent on the receipt of a cash bonus of \$10 to \$25.
- ⇒ Make completion of an HRA contingent on the receipt of a coupon for redemption of merchandise.
- ⇒ Make completion of an HRA contingent on the receipt of a group award based on percent response

2. Stress Management

For classroom-style stress management programs offered in work settings, there are three major behavioral purposes for the use of incentives:

Behavioral Goals

- ⇒ *Motivate single session attendance (Single Session)*
- ⇒ *Increase the number of participants completing multiple session training (Multiple Sessions)*
- ⇒ *Help participants maintain long-term stress management (SM) behavior changes (SM Behavior)*

To Increase Participation At A Single Session

- ⇒ Hold the session on work time.
- ⇒ Have the session in a nice setting or facility.
- ⇒ Offer the session for interested spouses.
- ⇒ Offer a book or a set of materials to attendees.
- ⇒ Provide a "door prize" drawing for attendees which is held at the end of the session.
- ⇒ If possible, use a trainer with a good reputation within the work group involved.
- ⇒ Offer an additional door prize chance to the individual who brings a friend.
- ⇒ Provide an extra 30 minutes of lunchtime for attendees.
- ⇒ Provide merchandise or financial rebate "points" for attendance.
- ⇒ Structure a group incentive for the highest level of participation in the workshop among similar sized work groups and reward them with new coffee equipment or a microwave or other equipment.
- ⇒ Provide a discount coupon for a local bookstore that offers a variety of stress management resources.

For Completion Of Program Series

- ⇒ Require tuition to be paid by participants and rebate back the amount based on 80% or 90% attendance at multiple sessions.
- ⇒ Offer a series of publications with only one distributed at each session, thereby providing an incentive for attendance at all the sessions.
- ⇒ Provide "points" for attendance at each session and then affix a reward to a particular number of points. The rewards can be merchandise, money or time off and can be linked to a core incentive program such as, a wellness gain-sharing program, direct financial reward, flex plan credit option etc.

For Long-Term Adherence To Stress Management Behaviors

- ⇒ Send out a follow-up questionnaire about the individual's stress management behaviors, providing a chance at a prize drawing for a valued gift for those who return the mailer.
- ⇒ Hold a repeat session 3-6 months from the end of the program and provide an opportunity for people to share what stress management behaviors they are routinely using. For participants who comply, a pro rata share of a financial rebate pool contributed by each participant at the beginning of the program could be rewarded.
- ⇒ Connect the adherence to stress management practices to the completion of a "playbook" or diary to a wellness achievements style benefit incentive program.



TYPES OF WELLNESS PROGRAM COMPONENTS

3. Tobacco Cessation

In tobacco cessation there are several major behavioral goals appropriate for the application of incentives.

Behavioral Goals

- ⇒ *Cessation of smoking or tobacco use (Initial Cessation)*
- ⇒ *Use of self-help materials (Self-help Materials)*
- ⇒ *Enrollment in a structured group program (Program Enrollment)*
- ⇒ *Completion of the program series (Program Completion)*
- ⇒ *Maintenance of non-smoking status (Long Term Cessation)*

For Initial Cessation Of Smoking Or Tobacco Use

- ⇒ Adoption of policies restricting smoking and tobacco use at the worksite.
- ⇒ Use of a non-smokers discount selected employee benefit programs under a flex plan arrangement.
- ⇒ Provide a “performance-based” bonus for those not smoking, those quitting or those cutting down, on a monthly or quarterly basis.
- ⇒ Provide a gift certificate to the company “store” for non-smokers on a periodic basis.
- ⇒ Use a group incentive award for similar size work units who have no smokers.
- ⇒ Provide merchandise points or wellness points for non-smokers.

- ⇒ Provide a low-key session that provides an overview of the various ways the individual can go about reducing or ending the use of tobacco.
- ⇒ Provide an educational session on the major health effects of smoking and tobacco use and how to be as healthy as possible if you choose to use tobacco products.
- ⇒ Provide an opportunity for people to deposit the money that they would ordinarily be spending on tobacco products into a savings vehicle.

For Use Of Self-Help Materials

- ⇒ In order to help smokers comply with a new policy restricting smoking in the workplace.
- ⇒ Provide a low-key session that provides an overview of the various ways the individual can go about reducing or ending the use of tobacco emphasizing the characteristics of those who are usually successful with self-help materials.
- ⇒ Provide a financial reward for those who are successful in quitting smoking behavior using self-help materials.
- ⇒ Provide the self-help materials at a lower out-of-pocket cost than the cost of a more organized program.
- ⇒ Make the materials very easy to obtain.

For Enrollment In A More Organized Program

- ⇒ Create a tuition requirement that can result in the division of the pool among participants of a more organized smoking cessation program.
- ⇒ Provide an opportunity to “bet on yourself” by providing a matching amount from the employer for participants who are successful at long-term adherence.
- ⇒ Encourage the use of a “buddy system” or a small support group with the more structured program offering.

- ⇒ Schedule the program on work time.
- ⇒ Announce the pending adoption of a “smoke-free” policy.
- ⇒ Provide a financial penalty or reward through employee benefit program linkages such as those described earlier.

To Complete A Program Series

- ⇒ Offer a rebate of the program's tuition for those who attend 80%, 90% or 100% of all the sessions.
- ⇒ Require a higher program fee to be paid if the individual does not complete a minimum number of the program series.
- ⇒ Provide a material goods drawing for those that attend the last session.
- ⇒ Schedule an enjoyable social activity at the end of the program for those who have attended a minimum number of sessions in the series.

Long-Term Behavioral Adherence

- ⇒ Provide a tuition derived incentive cash pool which will be divided among those who maintain non-smoking status at 6 months or a year after the end of a formal smoking cessation program.
- ⇒ Provide a financial reward through an employee benefit linkage such as a differential premium contribution, additional flex plan credits or increased amounts in a Consumer-Driven Health Plan.
- ⇒ Schedule a follow-up meeting or meetings where participants are asked to share their experience and re-commit to being tobacco-free.
- ⇒ Send out a follow-up mailer with a return requested containing information about their experience. Those who have maintained their cessation would be eligible for a prize drawing or for a special privilege. Adoption of policies restricting smoking and tobacco use at the worksite.



TYPES OF WELLNESS PROGRAM COMPONENTS (cont'd)

4. Weight Management

For weight management programs offered in work settings, there are three major behavioral purposes for the use of incentives:

Behavioral Goals

- ⇒ *Motivate single session attendance (Single Session)*
- ⇒ *Increase the number of employees participating in a weight loss contest (Contests)*
- ⇒ *Increase the number of participants completing multiple program series (Series)*
- ⇒ *Help participants maintain long-term desired weight levels (Adherence)*

To Attend A Single Program Session

- ⇒ Provide a material goods drawing for those that attend the session.
- ⇒ Provide an educational session on the major health effects of selected nutritional patterns and excess weight and how to be as healthy as possible if you choose to maintain excessive body weight.
- ⇒ Provide a low-key after work session that provides an overview of the various ways that individuals can go about reducing significant amounts of body weight permanently and what programs are available in your local community.
- ⇒ Provide release time for those who attend the session.
- ⇒ Encourage employees to invite a significant other to attend with them.
- ⇒ Provide a food diary for all attenders that help identify triggers, thought patterns about food, emotional insights, etc.
- ⇒ Promote a special opportunity to meet individually with EAP providers that specialize in eating related disorders.

For Participation In Weight Loss Contests

- ⇒ Collect a participant fee (i.e., \$25 to \$100) that is to be divided among those who meet their weight loss (gain) goals.
- ⇒ Provide a gift certificate to all contest entrants.
- ⇒ Provide a special prize for the work unit with the largest numbers of participants and/or the highest proportion of contestants.
- ⇒ Have the employer make a charitable contribution for each contest entrant.
- ⇒ Limit any weight loss to one or two pounds a week maximum.
- ⇒ Provide release time for those who enter the contest.

To Complete A Weight Management Program Series

- ⇒ Offer a rebate of the program's tuition for those who attend 80%, 90% or 100% of all the sessions.
- ⇒ Require a higher program fee to be paid if the individual does not complete a minimum number of the program series.
- ⇒ Provide a material goods drawing for those that attend the last session.
- ⇒ Schedule an enjoyable social activity at the end of the program for those who have attended a minimum number of sessions in the series.
- ⇒ Form buddy pairs and provide an attractive reward for those buddy pairs that attend a minimum percent of the sessions.

Weight loss is one of the most difficult long-term health behaviors or health states to change. Creative incentives need to be used particularly with some sensitivity to the Transtheoretical stage that the individual is exhibiting. A combination of incentives can position the program for long-term success. It also should be recognized that secular weight trends in most adult populations are

deteriorating and are likely to make weight reduction or maintenance programs more of a challenge in the years to come.

Maintenance Of Long-Term Weight Loss (Gain) Goals

- ⇒ Provide progressively generous gift certificates for 80%, 90% or 100% maintenance of personal weight goals at one year.
- ⇒ Provide fresh fruit or food demonstrations at a "refresher" program session.
- ⇒ Make available several hours of time-off to those who are successful at maintaining a desirable weight level.
- ⇒ Provide reduced cost-sharing or expanded benefit coverage for outpatient mental health counseling for those who successfully complete the program.
- ⇒ Use a "buddy system" and provide the cash rewards or gift certificates to both "buddies" based on their combined maintenance.
- ⇒ Use three or four person teams and reward their collective performance at one year.
- ⇒ Provide a beauty consultation or image consultation for those who maintain their new weight goal.
- ⇒ Provide a free airline coupon for those who meet their weight loss goals at one year after the end of the program.
- ⇒ Offer discount coupons for clothing alteration or purchase of new clothing to those who maintain their desired weight.
- ⇒ Division of a tuition cash pool among those who maintain their weight loss (gain) six months and/or one year after the end of the formal program.
- ⇒ Provision of 1-5 extra vacation days for sustained weight loss (gain).
- ⇒ Provide a free pair of airline tickets for those who lose more than 50 pounds and are able to maintain the weight loss at one year.

TYPES OF WELLNESS PROGRAM COMPONENTS (cont'd)

5. Hypertension Screening And Control

For hypertension screening and control programs offered in work settings, there are three major behavioral purposes for the use of incentives: The importance of cardiovascular health screening is unquestioned and can be considerably strengthened through the use of carefully applied incentives. The major applications of incentives in hypertension screening are in the areas of participation in screening, compliance with follow-up suggestions and maintenance of clinically appropriate blood pressure levels.

Behavioral Goals

- ⇒ *Motivate participation in screening (Screening)*
- ⇒ *Increase the number of employees following up on elevated readings (Follow-up)*
- ⇒ *Help participants maintain long-term desired blood pressure levels (Adherence)*

For Participation In Screening

- ⇒ Test a random sample of individuals, appeal to the "scientific" nature of the sampling program to get higher compliance.

- ⇒ Provide participants with a ticket for a lottery drawing for a desirable prize for participating.
- ⇒ Provide screening on work time in a convenient location.
- ⇒ Conduct a sweep where screening staff come right to the individual employee and offer to screen them in their work area. Bring along a bucket of apples and pass them out as a reward for having their blood pressure taken.
- ⇒ Provide an apple or piece of fruit for being screened.
- ⇒ Invite spouses to attend screening programs.
- ⇒ Attach the screening process to a wellness achievement-style incentive program as one of several criteria that help the individual qualify for the reward.
- ⇒ Link the screening to another health event such as National Employee Health Day.

For Complying With Follow-up Recommendations

- ⇒ Provide a small blood pressure record log; for those with elevated readings, provide a \$5.00 cash reward if they send back the log with two follow-up readings or signed by a physician.

- ⇒ Individuals who have very high readings fill out a follow-up mailer noting the action they have taken, in return for a book on heart health.
- ⇒ For those that comply with follow-up recommendations provide a lottery for a prize drawing for a vacation get-away.
- ⇒ Attach a significant reward for repeat screening of those with elevated initial BP readings.

For Sustained Control Of High Blood Pressure

- ⇒ For those with diastolic pressures under 90 mm/Hg and with systolic pressures under 145 mm/Hg provide increments of "wellness bonus" points for a cash award, lower health plan premium, or for redemption of merchandise.
- ⇒ Provide a gift certificate or coupon for those with initially high blood pressure that achieve a low-risk blood pressure level.
- ⇒ Construct some personal health objectives for each individual and have blood pressure level be one of the areas of individual goal setting and use a benefit-linked incentive for those that are successful.



TYPES OF WELLNESS PROGRAM COMPONENTS (cont'd)

6. Aerobic Exercise And Physical Activity Programs

Aerobic exercise and physical activity programs are typically conducted at the work-site or in a community or onsite corporate fitness facility. Programs can cover a wide range of options including: low impact, flexibility-oriented, spinning, advanced fitness training, hardening, special population emphasis programming, etc. The major applications of incentives for aerobic exercise and physical activity programs are in four areas. The first focus of incentives is increased enrollment in fitness testing, the second, enrollment or registration in organized activity programs, the third is a focus on completion of multiple sessions over the course of a program series and the fourth is continued adherence to physical activity.

Behavioral Goals

- ⇒ *Motivate participation in fitness testing (Testing)*
- ⇒ *Increase the number of individuals enrolling in organized activity programs (Enrollment)*
- ⇒ *Increase completion rates for multiple session series (Completion)*
- ⇒ *Help participants maintain long-term physical activity (Adherence)*

For Participation In Fitness Testing

- ⇒ Provide participants with a ticket for a lottery drawing for a desirable prize for participating in the testing.
- ⇒ Provide fitness testing on work time in a convenient location.
- ⇒ Provide an apple or piece of fruit for those undergoing the testing.
- ⇒ Test a random sample of individuals, appeal to the "scientific" nature of the sampling program to get higher compliance.
- ⇒ Invite spouses to attend and be tested.

- ⇒ Attach the screening process to a wellness achievement-style incentive program as one of several criteria that help the individual qualify for the reward and provide a participation option.
- ⇒ Link the fitness testing to another health event such as National Employee Health Day or the individual's birthday.

To Increase Initial Enrollment In Organized Programs

- ⇒ Provide a reduced program fee (i.e., 1/3 off) if a participant brings a "friend" that has not participated in aerobic activity programs before.
- ⇒ Offer an early registration discount of 25%.
- ⇒ Extend a new member discount or waive the program fee for the first 1-3 sessions.
- ⇒ Provide points for merchandise redemption.
- ⇒ Provide wellness bonus points for a cash rebate.
- ⇒ Provide flextime for those who agree to exercise.
- ⇒ Offer an extra vacation day or an identified number of hours of paid administrative leave.
- ⇒ Offer a lottery drawing for an attractive vacation package or for two free airline coupons.
- ⇒ Provide a higher discount level for repeat enrollments.
- ⇒ Offer a material goods item, such as gym bag, custom towel, T-shirt, water bottle, etc.
- ⇒ Offer prizes for those work groups with the highest number of participants or the highest percentage of participants by size category of work group.
- ⇒ Provide a "first-timers" version of the class so that experienced exercisers will not intimidate sedentary employees.

Increase Completion Rates For Multiple Session Series

- ⇒ Provide a material good for attendance of 90% of the workout sessions.
- ⇒ Offer extra wellness points or merchandise points attached to each completed workout.
- ⇒ Use part of the program fee to create a rebate pool that is divided up among all participants who attend 90% of the sessions.
- ⇒ Provide a gift certificate to all those with at least 90% attendance.

For Continued Physical Activity Compliance

- ⇒ Provide a tuition derived incentive cash pool which will be divided among those who maintain exercise status at 6 months or a year after the end of a formal exercise program.
- ⇒ Provide a financial reward through an employee benefit linkage such as a differential premium contribution, additional flex plan credits or increased amounts in a Consumer-Driven Health Plan.
- ⇒ Schedule a follow-up meeting or meetings where participants are asked to share their experience and re-commit to being physically active.
- ⇒ Send out a follow-up mailer with a return request containing information about their experience. Those who have maintained their exercise activity would be eligible for a prize drawing or for a special privilege.



TYPES OF WELLNESS PROGRAM COMPONENTS (cont'd)

7. Wellness Assessments

There are many forms of wellness assessment activities that can benefit from the use of incentives. The major areas where incentives can be used include: participation in assessment programs, improvement in wellness assessment scores and participation in a periodic retest process.

Behavioral Goals

- ⇒ *Increase participation in wellness assessments (Assessment)*
- ⇒ *Improve wellness assessment scores (Improvement)*
- ⇒ *Increase retest participation (Retest)*

To Increase Participation In Wellness Assessments

- ⇒ Use a lottery for selecting participants and give each one a non-transferable coupon with a stated value (\$100).
- ⇒ Offer a prize drawing for those who participate.
- ⇒ Offer the assessment at a subsidized cost for buddy's who go through it together.
- ⇒ Provide a specified amount of administrative time-off for participating in the assessment.
- ⇒ Offer a material goods item like a gym bag, water bottle, ice bag, medical self-care book, towel etc. for participating.
- ⇒ Provide "wellness bonus" points for a cash reward program or a merchandise redemption program.
- ⇒ Offer prizes for work groups with the highest numbers and/or percentages of participants.

- ⇒ Provide a gift certificate at a popular store for participants.
- ⇒ Offer a free pass for a limited time (14 days) at a local fitness club for assessment participants.
- ⇒ Offer to test spouses for free or at low cost.
- ⇒ Offer a direct cash bonus of \$25, \$50 or \$100 for participation.
- ⇒ Provide a bonus for use in the CDHP or FSA offered by the employer.
- ⇒ Provide a lower level of payroll contribution for health plan coverage for participants.
- ⇒ Extend additional life insurance or disability management coverage.
- ⇒ Offer a compensatory time award worth 8 hours of work time. It can be required to be taken in less than full day amounts and can be used to provide 2-3 hour blocks of "free time."
- ⇒ Provide for a cafeteria food or meal ticket for those who complete the wellness assessment.

To Help Participants Improve Wellness Scores

- ⇒ Provide days of additional vacation for following percent improvement in wellness score: 10% = 1 day, 20% = 2 days, 30% = 3 days, 40% = 4 days.
- ⇒ Provide material goods choices from a merchandise catalog. The greater the improvement the more the number or average cost of the merchandise.
- ⇒ Provide additional "wellness bonus" points for flex plan choices.

- ⇒ Give set amounts of merchandise redemption points for improvements, for example 10 points for each percent improvement.
- ⇒ Award different amounts of employer contribution into a Consumer-Driven Health Plan (CDHP) account for different levels of improvement.
- ⇒ Attach the incentive reward to a minimum of a 25% improvement in overall or in key subscale test scores at the time of retest.

For Increasing Participation In Re-testing

- ⇒ Require re-testing for all participants as a condition of the initial assessment.
- ⇒ Schedule the retest date at the time of initial assessment.
- ⇒ Provide any of the incentive rewards linked to benefits on a graduated basis with 50% of reward at initial test and 50% at the time of retest.
- ⇒ Link the incentive criteria and/or the reward selected to levels of improvement in test scores.



TYPES OF WELLNESS PROGRAM COMPONENTS (cont'd)

8. Medical Self-Care And Consumer Health Training

Medical self-care programs cover a broad range of issues including skills for managing minor medical conditions, use of home treatment advice, use of home diagnostic tests, consumer health skills, health advocacy skills and tools for long-term management of chronic health conditions. For a much more extensive discussion of these types of programs please refer to the Summex Corporation Health Management Guide entitled *Wise Health Consumers: Resources and Tools for Employers*. Information on how to order this Guide is included at the end of this publication.

The usual areas where incentives can be used in medical self-care and consumer health education is in increasing participation in training programs and the subsequent continued use of these tools, skills and materials to improve the appropriateness of health care use.

Behavioral Goals

- ⇒ *Increase participation in medical self-care and consumer health education workshops (Workshops)*
- ⇒ *Improve the long term behavior patterns and use of the skills and tools of medical self-care and consumer health education (Behavior)*



To Increase Participation At Training Workshops

- ⇒ Provide the training on employer time.
- ⇒ Link the training to an "open enrollment" or "benefit education" meeting.
- ⇒ Provide a door prize drawing at the end of the workshop.
- ⇒ Provide a lower health plan payroll contribution level for those who attend (plus other requirements).
- ⇒ Distribute a voucher or coupon at the end of the session that can offset some of the cost sharing under the health plan.
- ⇒ Provide a good medical self-care reference to all participants.
- ⇒ Provide an early release from work for attenders.
- ⇒ Offer a special reward for those who bring a friend.
- ⇒ Provide a session in the evening or on the weekend and invite spouses to attend.

To Increase Use Of Materials And Change Behavior

- ⇒ Provide periodic reminders on use of the materials.
- ⇒ Keep copies of the medical self-care reference text at key places at work and encourage employees to use them.
- ⇒ Offer an incentive rebate program that utilizes health care use in determining the size of the financial reward.
- ⇒ Offer a "non-claimant" lottery for all employees who did not submit a medical claim during the year.
- ⇒ Use periodic survey instruments to gauge the level of use of the medical self-care materials by staff or members and connect that with an incentive provision.
- ⇒ Link medical self-care to higher deductible health plans or medical savings accounts (MSAs).
- ⇒ Allow employees to waive a benefit surcharge if they attend an annual medical self-care training program.



TYPES OF WELLNESS PROGRAM COMPONENTS (cont'd)

9. Fitness Facility Use

The use of corporate or community fitness facilities is another place for the application of incentives. The three areas where incentives can help are with membership recruitment, increasing use of corporate fitness facilities and increasing the use of community-based fitness facilities.

Fitness facility use is an important dimension of most employer wellness or health promotion programs. It is also important to realize that 40% to 70% of employees will usually never use a fitness center to maintain their physical conditioning. Therefore, it is important that employers provide incentives that help motivate and influence those that are not likely to use fitness facilities regardless of their physical proximity or sponsorship.

Behavioral Goals

- ⇒ *Increase in membership recruitment (Membership)*
- ⇒ *Increase in use of corporate fitness facility (Corporate)*
- ⇒ *Increase in use of community fitness facility (Community)*

For Increasing Recruitment Of New Members

- ⇒ Offer a reduced fee for new member sign-ups.
- ⇒ Offer a prize drawing for a valuable item among new recruits.
- ⇒ Provide a low-cost, short-term membership option.
- ⇒ Provide a reduced fee for payroll deduction for dues.
- ⇒ Provide a "bring a buddy" fee discount.
- ⇒ Offer a work unit prize for the groups that have the highest percentage of members by various size categories of work units.
- ⇒ Offer a waiver coupon for the company's health plan deductible for one individual.

- ⇒ Provide a material goods incentive for a new enrollment, such as a gym bag, a water bottle, sweat suit, cap, visor, towel etc.
- ⇒ Provide "wellness bonus points" for a financial wellness incentive program or merchandise redemption points for a new membership.
- ⇒ Provide an opportunity to gamble for a first free month of membership with the roll of the dice at the time of enrollment. If the individual wins, their first month is free, if they lose they don't get the first month free.
- ⇒ Provide fresh fruit, lite lunch or a cold drink for users during a special sign up drive.
- ⇒ For community facilities, offer to reimburse half the fee if the individual agrees to use the facility a minimum number of times each month (8 times a month).
- ⇒ For those new members, provide an additional amount in their CDHP personal health account.



To Increase Use Of Corporate Fitness Facilities

- ⇒ Develop a contractual agreement that specifies the expected level of use of the facility and link it to a partial fee rebate.
- ⇒ Use a higher fee level to create an incentive pool that can be divided among those who meet their objectives for level of use.
- ⇒ Provide options for flex time use for those using the fitness facility.
- ⇒ Provide release time for employees in exchange for other work hours.
- ⇒ Provide personal tracking of fitness performance through software or "mileage" charts.
- ⇒ Provide periodic re-testing to measure progress.
- ⇒ Provide additional amounts in the individual's CDHP personal health account.

To Increase The Use Of Community Fitness Facilities

- ⇒ Secure a corporate rate for membership.
- ⇒ Require a sign-in process for those who use the fitness facility.
- ⇒ Provide a partial subsidy for 1-2 years.
- ⇒ Develop a contractual agreement with the employee that states that the subsidy must be paid back to the employer if minimum use requirements are not met.
- ⇒ Allow use of flextime as long as the use level for the fitness facility meets minimum standards.
- ⇒ Provide a cash reward for every 50th or 100th use of the fitness facility.
- ⇒ Provide incentive points for every time the facility is used.
- ⇒ Provide additional "wellness bonus points" for every 10 times the fitness facility is used, which can be used in a wellness incentive program.

TYPES OF WELLNESS PROGRAM COMPONENTS (cont'd)

10. Cholesterol Testing

Cholesterol testing activities can benefit from the use of incentives. The major areas where incentives can be used include: participation in testing activities, improvement in cholesterol scores and participation in a periodic cholesterol retest process.

Cholesterol testing is an extremely important program activity due to the continuing publicity and general tightening of cholesterol standards that are constantly in the news. Incentives can be used to help increase participation in testing and to help encourage the reduction of risk associated with unhealthy blood cholesterol levels including total cholesterol, HDL cholesterol, LDL cholesterol, cholesterol fractions and ratios and triglycerides.

Behavioral Goals

- ⇒ *Increase participation in cholesterol testing (Testing)*
- ⇒ *Improve cholesterol scores (Improvement)*
- ⇒ *Increase retest participation (Retest)*

To Increase Participation In Cholesterol Testing

- ⇒ Provide the test at no cost to participants.
- ⇒ Provide the test in a convenient location.
- ⇒ Establish a schedule where the cholesterol testing will be offered at set intervals of three to six months, in order to encourage people to make behavioral changes and then monitor the results.
- ⇒ Place the person's name in a lottery for a desirable prize if they are tested.
- ⇒ Provide early release from work.
- ⇒ Offer a piece of fruit or fruit juice.
- ⇒ Encourage employees to bring spouses in for testing and offer it at convenient times.

To Increase Participation In Cholesterol Testing

- ⇒ Use a lottery for selecting participants and give each one a non-transferable coupon with a stated value (\$100).

- ⇒ Offer a prize drawing for those who participate.
- ⇒ Offer the assessment at a subsidized cost for buddy's who go through it together.
- ⇒ Provide a specified amount of administrative time-off for participating in the assessment.
- ⇒ Offer a material goods item like a gym bag, water bottle, ice bag, medical self-care book, visor, towel etc. for participating.
- ⇒ Provide "wellness bonus" points for a cash reward program or a merchandise redemption program.
- ⇒ Offer prizes for work groups with the highest numbers and/or percentages of participants.
- ⇒ Provide a gift certificate at a popular store for participants.
- ⇒ Offer a free pass for a limited time (14 days) at a local fitness club for assessment participants.
- ⇒ Offer to test spouses for free or at low cost.
- ⇒ Offer a direct cash bonus of \$25, \$50 or \$100 for participation.
- ⇒ Provide a bonus for use in the CDHP or FSA offered by the employer.
- ⇒ Provide a lower level of payroll contribution for health plan coverage for participants.
- ⇒ Extend additional life insurance or disability management coverage.
- ⇒ Offer a compensatory time award worth 8 hours of work time. It can be required to be taken in less than full day amounts and can be used to provide 2-3 hour blocks of "free time."
- ⇒ Provide for a cafeteria food or meal ticket for those who complete the wellness assessment.

To Help Participants Improve Cholesterol Scores

- ⇒ Offer an attractive cash prize for those who make at least a 10% reduction in total cholesterol, or LDL level or HDL ratio (or increase HDL by a similar amount).
- ⇒ Provide material goods for those with total cholesterol, LDL, HDL and/or HDL ratios that meet the "low-risk" criteria suggested by the National Heart Lung & Blood Institute.

- ⇒ Provide a \$5 cash award to anyone who provides evidence of follow-up medical attention on total cholesterol of over 240 mg/dl.
- ⇒ Offer "wellness bonus points" for a specified level of improvement and/or attainment of low risk levels such as a 10% improvement.
- ⇒ Offer a cafeteria meal ticket for those who have total cholesterol below 200 mg/dl, or an HDL ratio below 4.0 or an LDL amount under 100 mg/dl.
- ⇒ Connect the cholesterol level to the core wellness incentive program as one of the 8-12 wellness criteria. Provide days of additional vacation for following percent improvement in wellness score: 10% = 1 day, 20% = 2 days, 30% = 3 days, 40% = 4 days.
- ⇒ Provide material goods choices from a merchandise catalog. The greater the improvement, the more the number or average cost of the merchandise.
- ⇒ Provide additional "wellness bonus" points for flex plan choices.
- ⇒ Give set amounts of merchandise redemption points for improvements, for example 10 points for each percent improvement.
- ⇒ Award different amounts of employer contributions into a Consumer-Driven Health Plan (CDHP) account for different levels of improvement.
- ⇒ Attach the incentive reward to a minimum of a 10% improvement in overall or in key subscale test scores at the time of retest.

For Increasing Participation In Cholesterol Re-testing

- ⇒ Require re-testing for all participants as a condition of the initial assessment.
- ⇒ Schedule the retest date at the time of initial assessment.
- ⇒ Provide any of the incentive rewards linked to benefits on a graduated basis with 50% of reward at initial test and 50% at the time of retest.
- ⇒ Link the incentive criteria and/or the reward selected to levels of improvement in test scores.

TYPES OF WELLNESS PROGRAM COMPONENTS (cont'd)

11. Educational Workshops

Wellness programs often provide lunchtime, at work or after work sessions on a wide variety of health & wellness topics. These sessions usually address major areas of interest among employees. Incentives can be used to increase participation and to help with acquisition of information gained at the session.

Behavioral Goals

- ⇒ *Increase participation in educational workshops (Workshops)*
- ⇒ *Enhance the learning associated with the workshop (Learning)*

To Increase Participation At Educational Workshops

- ⇒ Advertise that materials will be provided to those who attend.
- ⇒ Provide a door prize drawing for participants.
- ⇒ Offer "wellness bonus points" for a cash rebate program or for use in a merchandise redemption program.
- ⇒ Provide experiential learning opportunities.

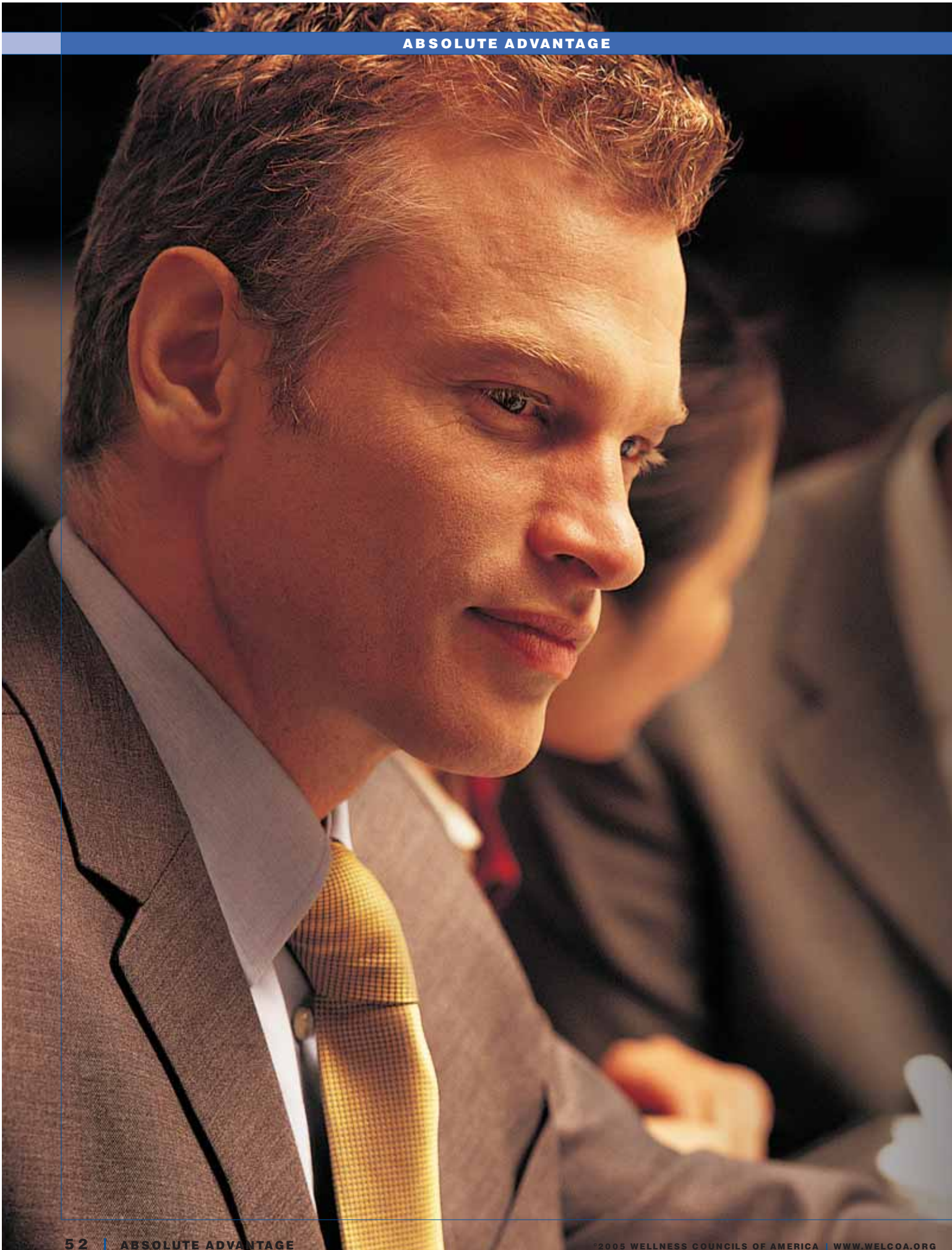
- ⇒ Provide an extended lunch break for those who attend.
- ⇒ Provide gift certificates at the session.
- ⇒ Offer a testing or self-test activity along with the workshop.
- ⇒ Involve a well-known athlete or local celebrity at the session. Provide the training on employer time.
- ⇒ Link the training to an "open enrollment" or "benefit education" meeting.
- ⇒ Provide a door prize drawing at the end of the workshop.
- ⇒ Provide a lower health plan payroll contribution level for those who attend (plus other requirements).
- ⇒ Distribute a voucher or coupon at the end of the session that can offset some of the cost sharing under the health plan.
- ⇒ Provide a good medical self-care reference to all participants.
- ⇒ Provide an early release from work for attenders.

- ⇒ Offer a special reward for those who bring a friend.
- ⇒ Provide a session in the evening or on the weekend and invite spouses to attend.

To Enhance Learning

- ⇒ Provide a self-scored quiz on the most important points about the topic.
- ⇒ Have people complete a short quiz at the end of the session and give a reward for a high score.
- ⇒ Have participants complete a self-addressed fold-over mailer with a quiz on it, which will be sent to them as a follow-up device and reward them for its return.
- ⇒ For those who attend the session, provide a quiz that can be redeemed in the cafeteria for a healthy food choice.
- ⇒ Completion and/or minimum score of the quizzes can also be used as one wellness criteria that can be linked to a wellness achievements incentive program.





TYPES OF WELLNESS PROGRAM COMPONENTS (cont'd)

12. Wellness Contests

The use of contests to encourage changes in exercise habits, weight loss or smoking reduction have been used in many worksites. These contests frequently run for a 6-12 week period and provide points for selected behaviors. Contests can encourage individual and/or team activity and usually involve some level of recognition and visibility for participants and/or winners. Incentives can be used to help increase enrollment and to help participants improve their individual scores.

Behavioral Goals

- ⇒ Increase enrollment in contests (Enrollment)
- ⇒ Improve individual contest scores (Performance)

To Increase Enrollment In Contests

- ⇒ Offer a work group award for the highest percentage of employee participants among various work group size categories.
- ⇒ Provide an entry prize or lottery drawing for travel coupons.
- ⇒ Provide a broad set of activities that qualify for the award of points.
- ⇒ Have a "buddy" option that provides some bonus points.
- ⇒ Provide several levels of rewards and provide a choice function for the qualifying individuals.
- ⇒ Employ attractive prizes, such as vacation packages, travel coupons, cruises, additional vacation days, cash rewards, sweepstakes awards, etc.

To Increase Contest Performance

- ⇒ Provide very visible reports on participant performance or progress.
- ⇒ Make sure personal point goals are realistic.
- ⇒ Group participants by their general ability to perform using parameters such as age, sex, health condition, prior accomplishments etc.

- ⇒ Make those with the most improvement "finalists", and provide a drawing for a very attractive prize.
- ⇒ Participation in the contest, the level of absolute achievement, the individual's relative achievement or the individual's percent improvement from previous program cycles can be used as the incentive focus.
- ⇒ Many different forms of group incentives are possible and can include auxiliary prizes for highest levels of group participation as well as special categories of contestants.

13. Injury Prevention Programs

Worksite safety or injury prevention programs have often included the use of incentives. More recently incentives are also being used with home, vehicular and recreational injury prevention programs. Usually the incentives are simply focused on the reduction of the occurrence of injuries that lead to losses in productivity, workers' compensation cost, disability management costs and sick leave absenteeism costs. For our purposes, the behavioral goal that are most appropriate relate to reduction in the occurrence of injuries.

Behavioral Goals

- ⇒ Reduce the occurrence of injuries (Injuries)

To Decrease The Occurrence Of Injuries

- ⇒ Provide an additional amount for a CDHP personal health care account for completing a home, vehicular and/or recreational safety checklist.
- ⇒ Provide a reward for specified number of days without a injury that results in lost work time. Offer a desirable group reward for the work groups with the best safety record.
- ⇒ Play "Safety Bingo," where each work shift without a work loss injury, two or three bingo numbers are drawn. Any employee can play and can win cash reward of \$75 for "bingo," \$100 for a Safety "T" and \$125 for a "blackout". If a work loss time injury occurs a new game is started. This is a group incentive program with individual payout.
- ⇒ Play "Safety Poker," which is like Safety Bingo, but involves drawing one or two cards per shift with a comparable set of rewards based on the best hand that an employee could create.

This list of incentive options is certainly not exhaustive. Readers are encouraged to think "outside the box" and develop creative incentives for their own program components. Due to the increasingly busy and competitive influences on our time, it is likely that greater use of incentives like these will be needed in the future.



Summary and Conclusions

Formal as well as informal incentive features and systems should be an important feature in the design of community, managed care and workplace based wellness programs. The difficulty of initiating and maintaining long-term health behavior change requires that we consider the use of a variety of types of health and wellness linked incentives.

The effective design of incentive features requires a logical design process that considers target behaviors, rewards necessary to help people initiate and maintain the target behaviors, incentive operational rules, feasibility of implementation, the prevention of unintended artifacts, a communication plan and finally the activities to be undertaken to evaluate the incentive. Multiple types of rewards can be combined into a formal incentive program in order to enhance the incentive effect.

Many potential modifications are possible, limited only by our ingenuity in designing and implementing formal and informal incentives for health behavior change. Good luck with your own incentive efforts!

Appendices

- A. Bibliography on the Design and Use of Wellness Incentives
- B. Implementing a Wellness Gain-Sharing Program
- C. Suggestions for Material Goods Incentives for Use in Wellness Programs

Appendix A:

Bibliography on the Design and Use of Wellness Incentives

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Appendix B: Implementing A Wellness Gain-Sharing Program

Overall Description

Financial gain-sharing incentive programs are a relatively new phenomenon. This description of a financial gain-sharing incentive based on health claims experience and wellness activities that is intended to help dampen the rate of increase in health care costs and to guide the revitalization and strengthening of an employee wellness program. In financial gain-sharing incentives such as the one described here, the particular target behaviors include encouraging wiser use of health services and the adoption and maintenance of more healthy lifestyle behaviors. The financial gain-sharing component of this formal incentive system involves an annual financial payment to participants based on both the overall group and their own individual health claims performance and wellness choices. Financial gain-sharing can also be funded by using health plan savings or the difference between actual and expected claims expense, or can utilize other funding mechanisms to provide the financial incentive pool to be dispersed to participants. These incentive programs are used each year for an indefinite period of time. The major components of the financial gain-sharing incentive program include:

- A. Advantages and disadvantages
- B. The incentive pool
- C. Employee account structure
- D. Accrual and depletion rules
- E. Payback strategies
- F. Lifestyle bonus point options
- G. Design refinements
- H. Documents required for implementation
- I. Strategies for reducing potential adverse effects
- J. Summary

A. Advantages and Disadvantages

The advantages and disadvantages of the wellness gainsharing incentive program proposed here are summarized as follows:

Disadvantages

- ⇒ It's a new approach that requires risk taking and a break with convention.
- ⇒ If not designed and communicated well, it has the potential of adversely affecting health by causing a delay seeking medical advice.
- ⇒ It requires additional administrative capability.

Advantages

- ⇒ It ties together health status, health care use, health benefits use, lifestyle choices and employee salary/wages and employee attitudes.
- ⇒ It is flexible.
- ⇒ It shifts employee attitudes toward their benefits from "consuming" to conserving.
- ⇒ It provides a strong incentive to adopt and maintain healthy lifestyle choices.
- ⇒ It simplifies the administration of multiple incentives into one core incentive plan.
- ⇒ It is financially self-sufficient because it rebates savings and therefore pays for itself.
- ⇒ It provides an opportunity for an "upbeat" improvement in human resources management.
- ⇒ It allows employees to be paid for being "well."

Every organization needs to carefully weigh the advantages and disadvantages in arriving at their own assessment of the appropriateness of implementing a wellness gain-sharing incentive program.

B. The Incentive Pool

In order to establish an incentive financial pool for employers, one

method is the direct funding of the incentive pool by budgeting a specific dollar amount for each employee (i.e., \$100, \$200, \$300, etc.) for inclusion in the incentive pool. Ideally, the amount should be large enough to provide an average payment of \$300-\$1,000 for those who receive a "wellness bonus." The basic incentive works by providing a point to each employee for each dollar put aside to cover their health plan expense. A point is subtracted from each account for each claim dollar paid under their health plan coverage. Wellness bonus points are optional and add points to their account. At the end of the benefit year, all the points in all the accounts are added together and divided into the amount of dollars in the incentive pool. Each point then has a monetary value. The amount to be awarded is determined by multiplying an individual's points account by the value of each point. The individual employee then receives that amount in the form of a "wellness bonus" check.

In summary, the incentive pool can be funded in several ways and consists of the amount to be distributed to participants in pre-tax dollars or into tax advantaged benefit forms such as 401(k) contributions at the end of the incentive period.

C. Employee Account Structure

An individual employee "Wellness Account" should be maintained for each eligible employee regardless of his/her family structure. The individual employee accounts will be used to relate the overall group claim performance to the individual employee's claim performance. For those who have chosen to waive their medical plan coverage, they will not receive any points in, or points out, due to claims use, but may be able to qualify for wellness bonus points. These employees should be able to apply for the Wellness Bonus points and receive a

wellness bonus check based on the number of points they qualify to receive. At the end of the benefit year, the amount in the incentive pool is divided into the sum total of all the points contained in all the employee wellness accounts. This usually establishes a “cents per point” value for each point. This amount is then multiplied times the number of points in the account in order to determine the amount of the cash award.

D. Accrual and Depletion Rules

Each individual employee receives one (1) point in his/her account for each “premium” dollar set aside to cover his or her potential health claims cost under the company’s health benefit plan. Premium amounts are established based the amount of benefit credits available to cover the cost of the premium under flex plan arrangements.

For each dollar of health claims paid for employees or covered dependents by an employee for care provided to the employee or an eligible family member, a point is withdrawn from their account. Employees with larger families get more points from the higher family premiums which are set aside under multiple tiered premium structures, but also have more potential liability for health service use due to the larger number of family members under the health plan. This design feature therefore provides an incentive for wise use of health services by dependents as well as employees. If total annual claims costs for a particular employee exceeds the premium set aside for that individual (i.e., plus optional “wellness bonus” points), his/her account is zeroed out and no award payment is provided for that year.

E. Payback Strategies

The sum total of all the points in the employee accounts are then determined at the end of the benefit year.

The total number of points in all the employee accounts is divided into the incentive pool amount to derive the value of each point. That point value is then multiplied times the number of points an individual employee has in his/her account in order to derive the size of the award check the employee is to receive. Wellness bonus points are also added to each employee’s account. The amount can be non-taxable if the program is set up under a qualified flex plan. Otherwise the amount to be rebated is taxable to the employee in the same way that cash is taxed.

Additional behavioral effects of the gain-sharing program will be greatly enhanced through use of a quarterly report to each employee which shows their current point totals and the approximate value of their points as of the date of the report. This quarterly notice will significantly increase the incentive effect.

F. Wellness Bonus Point Options

In order to create an incentive for healthy lifestyle behavior and choices in addition to the wise use of health service objective of the financial gain-sharing incentive program, it is possible to offer employees an opportunity to receive additional “wellness bonus” points for specific healthy lifestyle choices. The optional activities or behaviors that can potentially be incorporated in a “wellness bonus points” option within a financial gain-sharing incentive include:

Activity/ Behavior	Possible Point Value
Fitness program membership	200
Participation in fitness/health screening	200
Excellent scores on:	
- % body fat	200
- weight	200
- pulse rate recovery	200

- strength of back muscles	200
- cholesterol level	200
- LDL level	200
- HDL ratio	200
- blood pressure	200
- flexibility	200
- tobacco use	200
- resting pulse rate	200
- muscle strength	200
- walk, jog, run times	200
Seat belt use (declaration)	200
Alcohol use (declaration)	200
No work injury during year	200
No unscheduled absences during a six-month period	200
Approved employee suggestion	200
Each 100 hours of aerobic activity	200
No tardiness within the quarter	200
Substantial improvement in fitness scores	200
Significant health achievement	200
Points for each hour of wellness seminar attended	200
Completion of seminar series	200
Full achievement of personal health objectives	200
Each pound of sustained weight loss	200
High scorer incentive	200

It is recommended that only 8-12 possible wellness bonus criteria be made available in a financial gain-sharing incentive. This is due to the need to keep the program easy to understand and to administer. Additional possibilities can always be added at a later time. The initial set of “wellness bonus” points and their suggested point values are as follows:

Activity/ Behavior	Possible Point Value
Attended a Medical Self-Care workshop put on by employer within the last year.	100
Attended a stress management workshop conducted or endorsed by the employer within the last year.	100
Agreed to wear a seat belt 100% of the time while riding in or driving a motor vehicle.	100
Had a total cholesterol level below 200 mg/dl or LDL level less than 100 mg/dl	100
Had a diastolic blood pressure less than 90 mm Hg.	100
Had not smoked a cigarette, pipe or cigar or used smokeless tobacco in the last six months.	100
Had routinely exercised at least 3 times a week for a minimum of 30 continuous minutes each time.	100

Maximum Possible Wellness Bonus Points = 1,000 pts

The wellness bonus points are compiled at the end of the benefit year, then added to the employee's account prior to calculation of the monetary value of a point and are then used to distribute a higher proportion of the incentive pool to those who adopt and maintain healthy lifestyle behaviors.

G. Design Refinements

There are several incentive design options that can further refine the basic financial gain-sharing incentive program. They include:

- ⇒ Exclusion of preventive health services (i.e., periodic physical exams, well-child care, immunizations, mammography, pap smears, continuing trauma treatment, etc.) claims costs from the deduction of points for claims costs.
- ⇒ Allow employees to convert their award into time-off at a conversion factor based on their daily wage rate.
- ⇒ If other self-funded and modifiable budget items such as worker compensation, disability coverage, sick leave absenteeism, etc. can be added over time to the pool then test the effect of their inclusion in emphasizing the health related issues of the work force.

- ⇒ Modify the number of wellness bonus points attached to each activity/behavior according to each year's health priorities.
- ⇒ Offer the award to be applied to purchase other employee benefit coverages under a flex plan arrangement.

H. Documents Required For Implementation

The chart below shows the required documents and their major functions that are necessary for implementation of a financial gain-sharing incentive program.

I. Reducing Potential Adverse Effects of Incentive Gain-Sharing Systems

Even though no report of adverse health effects have been associated with financial incentive gain-sharing programs, it is prudent that precautions be taken. In order to minimize any untimely delay in seeking medical attention due to the presence of a financial incentive, it is important to utilize some combination of the following steps:

1. **Keep the size of the average gain-sharing payment at a moderate level.** A rough approximation for the average-sized award would be between \$250 to \$500. This would tend to keep the "stakes" low enough not to discourage seeking medical attention when appropriate.
2. **Educate and remind employees of key symptoms** which are often associated with more serious medical conditions such as, early cancer signs, kidney disease, neurological problems, endocrine system disorders.

3. **Conduct employee training in medical self-care** and provide some basic self-care references to employees.

4. **Establish an employee health lending library** that contains a variety of medical reference books and promote its use by employees.

5. **Periodically screen employees for some of the medical conditions** that would clearly benefit from early detection and those that employees would tend to ignore such as, hypertension, colorectal cancer screening, and cholesterol levels.

6. **Monitor claims data** for indications of late stage diagnoses that can be correlated with delays in seeking medical attention.

7. **Exclusion of claims** for preventive services from the reduction of employee account point totals.

8. **Concentration of employee communications** on medical conditions where early intervention makes a significant difference in the course of the disease.

9. **Provide a "health consultation" opportunity** to assist employees in determining when it is appropriate to seek medical attention.

J. Summary

This financial gain-sharing incentive program is designed to introduce a change in behavior in the wise use of health services and the adoption and maintenance of healthy lifestyle choices for employees and their family members. On the following page a draft of the application for "wellness bonus points" is provided.

REQUIRED DOCUMENTS FOR IMPLEMENTATION OF A FINANCIAL GAIN-SHARING INCENTIVE PROGRAM	
Document Name	Function
Employee Flyer/Brochure	Describe the incentive program
Employee Quarterly Statement Format	Report current status of family wellness account
Wellness Bonus Points Declaration Page	Formal request for Wellness Bonus Points
Overall Description	Methodology for incentive pool formation and distribution
Employee Poster Reminder	To remind employees of the incentive program
Employee Payroll Stuffer and Claims Insert	To remind employees of incentive program
Employee Education Visuals	For making presentations on the incentive system to employees
Evaluation Plan for Incentive Program	To evaluate employee reactions and the impact of the incentive program

(Draft Application for Wellness Bonus Points for Use with Financial Gain-Sharing Incentive)

Name: _____ Phone: _____ Department: _____ Date: _____

Application for Wellness Bonus Points

Please complete this application if you would like additional Wellness Bonus Points to be added to your Wellness Account. Wellness Bonus Points are available to all employees regardless of your health plan election. Please complete this application and return it your site Wellness Coordinator by _____.

Request for Wellness Bonus Points

Please check those items you would like to request additional Wellness Bonus Points for this benefit year.

Check	Bonus Item	Possible Points	Points You Claim	Verified
<input type="checkbox"/>	I attended a Medical Self-Care workshop put on by Wellness staff within the last year.	100 pts	_____	<input type="checkbox"/>
<input type="checkbox"/>	I attended a Stress Management workshop endorsed the Wellness staff within the last year.	100 pts	_____	<input type="checkbox"/>
<input type="checkbox"/>	I agree to wear a seat belt 100% of the time I am riding in or drive a motor vehicle.	100 pts	_____	<input type="checkbox"/>
<input type="checkbox"/>	My total cholesterol level is below 200 mg/dl or my LDL level is less than 120 mg/dl or my cholesterol is 10% lower than last year	100 pts	_____	<input type="checkbox"/>
<input type="checkbox"/>	My diastolic blood pressure is less than 90 mm Hg.	100 pts	_____	<input type="checkbox"/>
<input type="checkbox"/>	I have not smoked a cigarette, pipe or cigar or used smokeless tobacco in the last six months.	100 pts	_____	<input type="checkbox"/>
<input type="checkbox"/>	I exercise at least three times a week for a minimum of 30 minutes each time.	100 pts	_____	<input type="checkbox"/>
(TOTAL POSSIBLE POINTS = 700)				
TOTAL POINTS CLAIMED			_____	

Signature

Points Awarded

Comments: _____

Appendix C: Possible Material Goods Incentives for Wellness Programs

There are a large number of material good incentive rewards that can be effectively used in employee wellness programs. Some of the possible items include the following:

1. T-shirts
2. Sweat suits
3. Gym bags
4. Towels
5. Sweat bands
6. Aerobic floor mats or boxes
7. Drink bottles
8. Reflector bands for joggers
9. Caps
10. Sun visor
11. Sun block
12. Safety goggles
13. Racquetball rackets
14. Locks for lockers
15. Lockers
16. Exercise videos
17. Exercise tracking software
18. Fitness club subsidized membership
19. Fitness club discount coupons
20. Fitness club pass
21. Home fitness equipment
22. Home sauna package
23. Weight lifting gloves
24. Aerobic clothing
25. Fitness assessments
26. Home blood pressure equipment
27. Portable heart rate monitors
28. Hand weights
29. Sports robe for locker room
30. Cold/hot packs
31. Massage
32. Award Medallions
33. Personal time management materials
34. Fitness passports
35. Vacation packages
36. Thermometer
37. Ice pack
38. Medical self-care text
39. Wellness place mats
40. Exercise clothing coupons
41. Dried fruit snacks
42. State lottery tickets
43. Home sugar test sticks
44. Air cleaner
45. Beauty consultation
46. Image consultation
47. Flowers
48. Airline travel coupon
49. Coffee maker
50. Home document safe
51. Families medical guide
52. Home otoscope for ear exams
53. Small microwave for office
54. Feedback charts for tracking exercise
55. Wellness board game
56. Stress profile
57. Self-scored health risk appraisal
58. Self-help publications
59. Small musical instruments
60. First aid kits
61. Babysitter health instruction poster
62. Wellness calendars
63. Wellness information slide guides
64. CPR pocket guides
65. Magnet messages
66. Calorie calculator
67. Button messages
68. Coloring books
70. Stress dots
71. Frisbees
72. Travel mugs
73. Key chains with messages
74. Night light with messages
75. Audio tapes for wellness
76. Personal journals
77. Coffee cups
78. Small flashlights
79. Digital clocks
80. Small calculator
81. Pocket knife
82. Pedometer
83. Orienteering compass
84. Wellness diary
85. Recommended list of websites
86. Starbucks card





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Part 2
Of A Two-Part
Incentive-Based
Series

Designing Wellness Incentives

In this issue of *Absolute Advantage*, we've once again partnered with nationally recognized wellness expert, Larry Chapman. As you may know, Larry is the Chairman and Founder of the Summex Corporation, an Indianapolis-based population health management company. In this issue, Larry will provide important information regarding the utilization and design of wellness incentives. Remember, that this issue is the second of a two-part series highlighting incentives—be sure to refer back to last month's *Absolute Advantage* to refresh your memory.

Utilizing Larry's 20+ years of expertise on designing effective wellness incentives, we'll provide an in-depth case study, and show you how to link incentives to employee benefit plans.

Once again, I'd like to extend special thanks to Larry for his dedication to the field and his willingness to selflessly share information that can help to advance worksite health promotion.

I hope you enjoy the second part of the two-part series dedicated to utilizing wellness incentives.

Yours in good health,

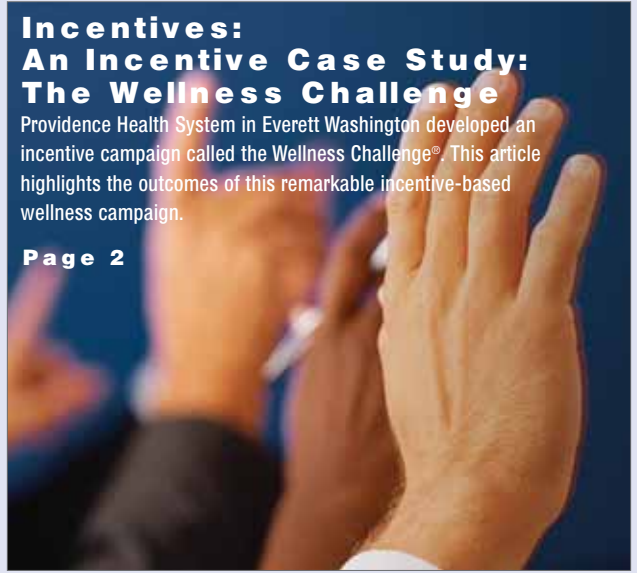
Dr. David Hunnicutt
President, Wellness Councils of America

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Incentives: An Incentive Case Study: The Wellness Challenge

Providence Health System in Everett Washington developed an incentive campaign called the Wellness Challenge®. This article highlights the outcomes of this remarkable incentive-based wellness campaign.

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Employee Benefit Linked Incentive Options

There are a large number of possible incentive linkages or options available for use in employer and managed care based wellness and health promotion programs. In this article, examples of incentives that can be formally linked to one or more benefit programs are presented.

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Incentives: Creative Incentive Ideas For Wellness Programs

There are many components of wellness programs that can be enhanced by the use of incentives using a collection of different pay values. In this section we match incentive types to common wellness program components to help provide ideas for making your program more effective.

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