Integrated Incentives: The Missing Link in Reducing Bottom-line Healthcare Costs

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Integrated Incentives & Disease Management

The Business Need
The Value Proposition
The Challenge
Shift in Focus
The Future
The Need for Incentives

Essential for driving program participation, activity and behavior change:

- 80% of CEOs from 150 large United States employers said that incentives were the most promising tool for reducing healthcare costs (PricewaterhouseCoopers)

- 2/3 of large employers are now offering incentives to improve employees’ health (PricewaterhouseCoopers)

- Employers are using incentives to encourage employees to:
  - Complete Health Risk Assessments (53%)
  - Improve personal health (43%)
  - Use lower cost providers (21%)
  (Watson Wyatt Worldwide)

- In its 2006 survey of employers, WELCOA found that 58 percent believed incentive programs would be the most important resource required by employers (WELCOA)
Employer’s Needs

Patient Engagement in Their Care

Appropriate Healthcare Utilization

Medical Expense Savings

Optimal Employee Productivity

High Quality Care
Individual’s Needs

Making Ends Meet

Being Recognized

Taking Care of Their Loved Ones

Become or Stay Healthy

Self Esteem
Incentives Drive Participation

Source: Deloitte Center for Health Solutions, 2005.
## Impact of Incentives on Behavior Change

<table>
<thead>
<tr>
<th>Industry</th>
<th>Incentive</th>
<th>Programs</th>
<th>Program Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johnson and Johnson</td>
<td>$500 Rebate on Medical Premiums</td>
<td>HRA, Wellness Programs</td>
<td>No Incentive: 20% With incentive: 90% HRA Participation $225 per employee savings on Medical costs due to risk reduction</td>
</tr>
<tr>
<td>Quaker Oats</td>
<td>Up to $300 allocated across numerous activities</td>
<td>HRA, Health Screening, Lifestyle programs.</td>
<td>No Incentive: 50% With Incentive: 82% HRA participation High-Mod risk reduction = $2M in savings</td>
</tr>
<tr>
<td>We Energy</td>
<td>Point-based program $200 - $300/year</td>
<td>HRA, Online programs, fitness challenge3</td>
<td>5 year participation rates sustained at 50%</td>
</tr>
<tr>
<td>Motorola</td>
<td>$240 Cash Reimbursement of Wellness Center Fee</td>
<td>Participation in Wellness Center Programs</td>
<td>Participants increased lifestyle-related costs by 2.5%; Non participants by 18%. 4:1 ROI</td>
</tr>
<tr>
<td>Hoffman LaRoche</td>
<td>$25 gift certificates</td>
<td>Participation in 12-health related activities</td>
<td>No incentive: 10% participation With Incentive: 30% participation</td>
</tr>
</tbody>
</table>

The Problem

Approximately 61% of employers have less than 25% of employees participating in employer sponsored-health management programs:

“Having many programs available to employees is helpful, but obviously has no impact if employees do not take advantage of them.”

Source: Deloitte Center for Health Solutions, 2005.
Other DM Incentive Challenges

Severity Level and Type (s) of Disease(s)

Privacy Issues

Engagement, Outcomes or Both?

Provider Participation

Budget
The Current DM Focus – Silo’s

- Incentive
  - Low risk Intervention
- Incentive
  - Telephonic Care Mgmt
- Incentive
  - HEDIS Intervention
- Incentive
  - Case Mgmt
Solution

Integrated Incentives

- Healthcare Portal
- Health Assessment
- Medication Utilization
- Screenings/Tests
- Care Management
- Work.Life.
- On-site Programs
- Clinical Outcomes

INDIVIDUAL
Data Integration Model

Diabetes Program

- SCREENINGS/TESTS
- MEDICATIONS
- HEALTH COACHING
- CARE MGT
- COMMUNITY EDUCATION
- WEIGHT LOSS
- WEIGHT MAINTENANCE
- EXERCISE
- RISK REDUCTION
- RISK MAINTENANCE

Compliance
Education
Behavior
Outcomes

POINTS ISSUED FOR VARIOUS INCENTIVE ACTIVITIES THROUGH POINTS PLATFORM

POINTS REDEEMED FOR REWARDS
Integrated Incentive Components

- Reward value matched to activity value
- **Flexibility:** To support diverse programs, audiences and incentive rules
- **Broad Reward Portfolio:**
  - Monetary Rewards (premium/HRA/HSA)
  - Non-Monetary Rewards (gift cards, etc)
- **Award and Points Solutions**
- **Tracking and Reporting**
- **Offline and Online Components**
The Incentives Standard

Different incentives have varying influence on participation

<table>
<thead>
<tr>
<th>Incentives</th>
<th>Preventive Care Key Levers</th>
<th>Exercise Key Levers</th>
<th>Diet Key Levers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounts (Health Care Premiums)</td>
<td>• Above the $200 threshold</td>
<td>• Greatest impact above $200</td>
<td>• Impact is always less than cash</td>
</tr>
<tr>
<td>Cash</td>
<td>• Above the $200 threshold</td>
<td>• Above the $200 threshold</td>
<td>• Greatest impact above $100</td>
</tr>
<tr>
<td></td>
<td>• Avoid levels below $100</td>
<td>• Avoid levels below $100</td>
<td></td>
</tr>
<tr>
<td>Non-monetary Incentives</td>
<td>• Above $50 threshold</td>
<td>• Raffles can have impact than cash below $100</td>
<td>• Gift cards have a greater impact than discounts below $100</td>
</tr>
<tr>
<td>Penalties*</td>
<td>• Miniscule impact</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>• Co-payment increases</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* The analysis of the impact of penalties on exercise and diet failed to meet traditional levels of statistical significance.

Sources: WELCOA, Benefits Roundtable Health Behaviors Survey
### What Motivates Better – Cash or Non-Cash?

<table>
<thead>
<tr>
<th>Non-Cash Rewards</th>
<th>Cash Rewards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trophy Value</td>
<td>Intangible….disappear into wallet.</td>
</tr>
<tr>
<td>Linked to with the employer</td>
<td>Minimal association with employer</td>
</tr>
<tr>
<td>More memorable</td>
<td>Fleeting Impact</td>
</tr>
<tr>
<td>Appeal to need for social acceptance, increased self-esteem and self-realization</td>
<td>Used to satisfy basic needs (car payments, groceries, etc.)</td>
</tr>
<tr>
<td>Provide strong emotional appeal to participants' personal wants and interests</td>
<td>Cold currency not very personal</td>
</tr>
<tr>
<td>Participant's family is involved in selecting awards</td>
<td>No family input into choosing a reward</td>
</tr>
</tbody>
</table>
The Future: Total Rewards Management

Incentive strategies should drive behaviors that impact revenue and cost:

- Performance Management
- Total Rewards Management
- Workers’ Compensation
- Prescription Drug Costs
- Absenteeism Presenteeism
- Disability
- Sales Performance
- Employee Turnover
- Performance Management
- Healthcare Costs
- Prescription Drug Costs
- Absenteeism Presenteeism
- Disability
- Sales Performance
- Employee Turnover
- Performance Management
- Healthcare Costs

Simple Message: Perform... and be rewarded