



Using Financial Incentives To Change Employee Behavior

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What Employers Have

A Growing Problem

The country's weight problem has created a need for extra-large and extra-sturdy medical equipment. Just 14 years ago, only four states had obesity rates as high as 15 percent. By 2000, at least 15 percent of the population was obese in every state but Colorado.

Numbers and percentages of Americans 20 years or older considered . . .

. . . overweight or obese:

All adults 129.6 million

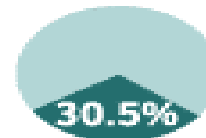


Women 64.5 million 61.9%

Men 65.1 million 67.2%

. . . obese:

All adults 61.3 million



Women 34.7 million 33.4%

Men 26.6 million 27.5%

SOURCES: National Institute of Diabetes, Digestive and Kidney Diseases; International Journal of Obesity; Journal of the American Medical Association
The Washington Post



What Employers Have

HEADLINES:

- ▶ **“A nearly unprecedented confluence of demographic and lifestyle factors have made diabetes one of the most serious health-related problems confronting employers today”**
- ▶ **“Census stats show health insurance coverage decline”**
- ▶ **“Firms shift health costs to workers”**
- ▶ **“Benefits driving up labor costs”**
- ▶ **“Consumer-driven plans garner interest”**
- ▶ **“Rising health premiums affect workers”**
- ▶ **“Health costs impact business operations”**

What Employers Want

- ▶ Healthy Employees
- ▶ Increased Productivity
- ▶ Lower Medical Claims Costs



Health & Behavior

- ▶ "Individual behavior drives 50% of the health care spending in this country today. There are ways to provide incentives that lead to better behavior that don't have to be punitive."

Lewis Devendorf, a principal at Mercer Human Resource Consulting



A Promising Solution: Wellness Intervention Programs (WIP)

- ▶ Employer interest in WIP is strong
 - 75-90% offer some form of WIP (Leonard 2001)(Hewitt 2004)(Watson Wyatt 2005)
- ▶ “Jury still out” on long term effectiveness
 - Effective *for participants who adhere and sustain*
 - Key challenge – *increasing participation, adherence, long-term behavioral change* (Kaplan 1984, Lovato et al. 1990, Hennrikus 2002)
- ▶ Only 50% provide incentives for employees to improve or maintain health
 - (Watson Wyatt, December 2005)

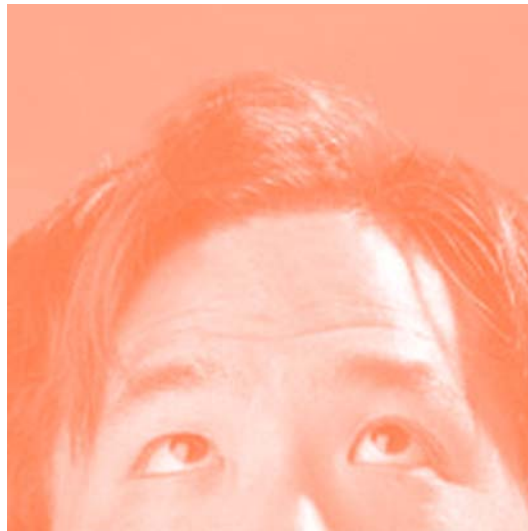


Social Forces Arrayed Against Health Behavioral Change

- ▶ Political gridlock and tight budget constraints
 - conspire to thwart breakthrough thinking and risk-taking on health policy, financing and health delivery
- ▶ Array of destructive social, cultural pressures
 - Sedentary lifestyles (work, outside activities - TV, video games, spectator events, etc.)
 - Peer pressure (Cab it or Drive it, Don't Walk)
 - Food industry (Super Size Me)
 - Fast Paced Lifestyles – (No time for exercise)
 - Advertising/Media (Promotes tobacco, alcohol, high fat foods)

Motivational Realities

- Unhealthy behavior often provides stimulation or comfort
- Healthy behavior usually requires denial, withdrawal, sacrifice and fatigue
- Participants want immediate results and rewards



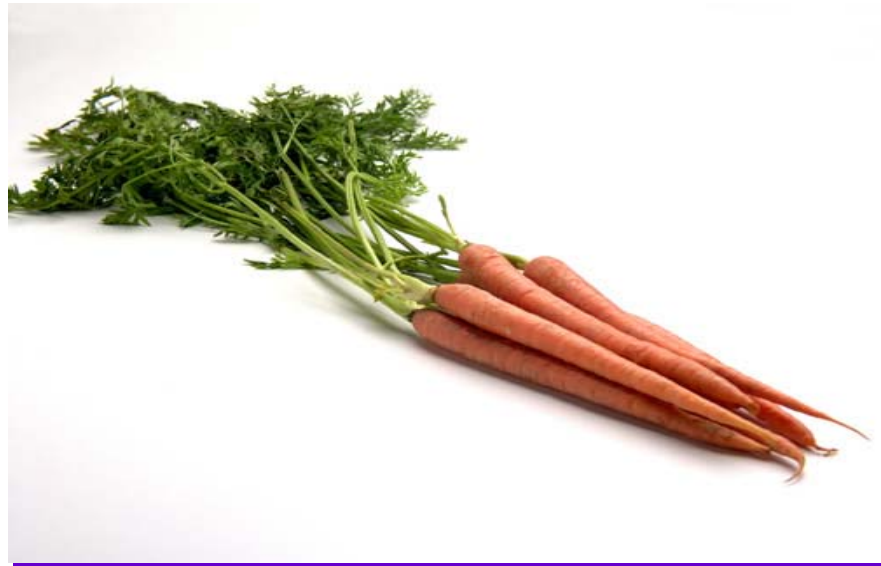


INCENTIVES: What, Why, Who



What's An Incentive?

- ▶ An anticipated positive or desirable reward designed to influence the performance of an individual or group.



Why Use Incentives?

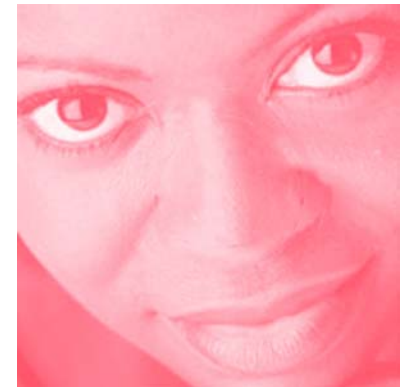
- ▶ Wellness is largely voluntary
- ▶ Voluntary means it requires a continual act of will
- ▶ Voluntary behavior is performed for a purpose or set of reasons
- ▶ Some things help maintain the old behavior
- ▶ Some things help the adoption of a new behavior
- ▶ Incentives help “unbalance” the status quo which can help lead to change or maintain change
- ▶ Incentives can help increase participation and support healthier behaviors

Why Use Incentives?

- ▶ Increase participation
- ▶ Provide catalyst for behavior change that can improve the health of the individual
- ▶ Add another component to change process



Motivate Participation



Who's Using Incentives?

In a 2004 survey by the Society for Human Resource Management

- ▶ 67% of HR professionals said their organization provides incentives to encourage healthy behavior
- ▶ 46% indicated their organization gives health care quality information to workers

Who Is Using Incentives?

2005 Employee Benefit News QuickPoll

- ▶ 22% of respondents said their company offers financial incentives for employees to practice healthy habits
- ▶ 37% said they were considering doing so
- ▶ 41% said their company does not provide such incentives.

Some Employers Offering Incentives

- ▶ Roundy's Inc. - \$75 Per Week Premium Differential For Wellness Participation
- ▶ Bank of Geneva – Up to \$2,000 credit for healthy lifestyles that can be used against \$2,500 plan deductible
- ▶ Wells Fargo - \$50 to \$150 with Max of \$500 per year for participation in health improvement
- ▶ IBM - \$150 incentive for each for not smoking, exercising and completing a health assessment

What Our Clients Are Doing

N=93 Employers

- ▶ 22.6% use gift cards in some capacity
- ▶ 20.4% use inexpensive gift items (water bottles, pedometers)
- ▶ 30.1% use health insurance premium differential (dis)incentives
- ▶ 5.4% use reduced Rx co-pays
- ▶ 6.4% use chance incentives of some kind (e.g., drawing)
- ▶ 29.0% use a year-end incentive, typically cash upon program achievement
- ▶ 14.0% use a 6-mo incentive, typically cash upon mid-point achievement
- ▶ 43.0% use a periodic incentive (administered monthly or quarterly) of some kind (most benefit integrated)
- ▶ 11.8% use an incentive tied to screenings or enrollment (often in combination with PHA completion)
- ▶ 48.4% use PHA completion incentives (doesn't include benefit integrated)
- ▶ 39.8% use incentives that are taxable
- ▶ 58.1% offer incentives to spouses



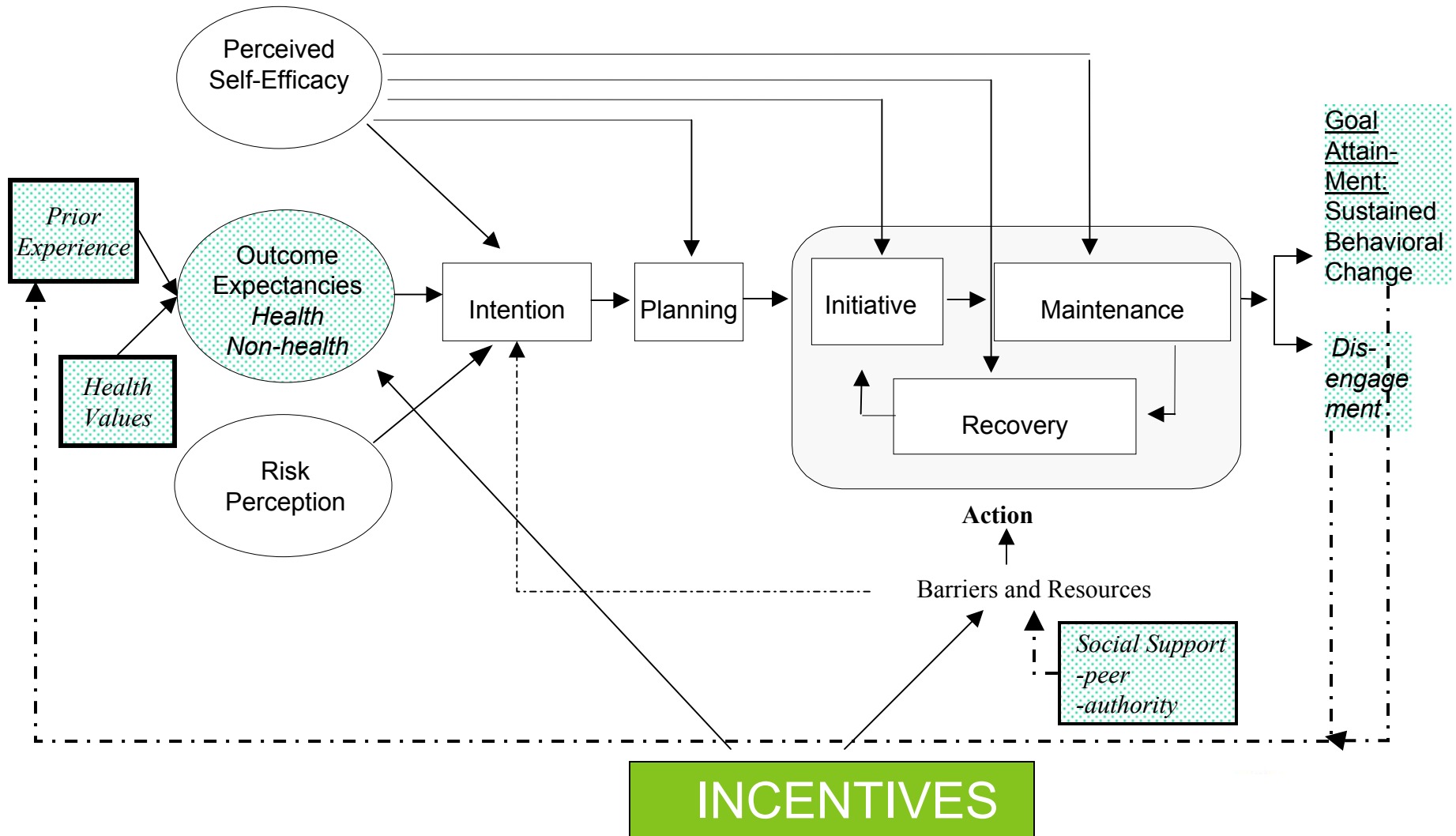
Motivational Theory

Constructs hypothesized to influence health behavioral change

- ▶ Perceived self-efficacy (Bandura 1977)
- ▶ Outcome expectancies ((Schwarzer 1999)
- ▶ Perceived risk (Schwarzer 1999)
- ▶ Barriers and resources (Schwarzer 1999)
- ▶ Prior experience (Godin et al. 1987)
- ▶ Value of Health (O'Donnell 1994)
- ▶ Social support (peer, authority) (O'Donnell 1994)
- ▶ Intention (Abraham et al. 1998, Schwarzer 2000)
- ▶ Transtheoretical model (Stages of Change)
(Prochaska and Lee 1998)

Conceptual Framework Of Behavioral Change

(based on Schwarzer 1999)



Incentives: How Much Is Enough?



Gordian's analysis of 100 clients incentive data found:

- \$20 to \$30 PEPM (\$240 to \$360 PEPY)
- Confidence Interval = .95
- Required to get significant movement towards greater participation

Types of Incentives

Voluntary 10% to 20%

Simply communicate the health benefits



Types of Incentives

Achievement Awards 20% to 40%

T-shirts to T-Birds



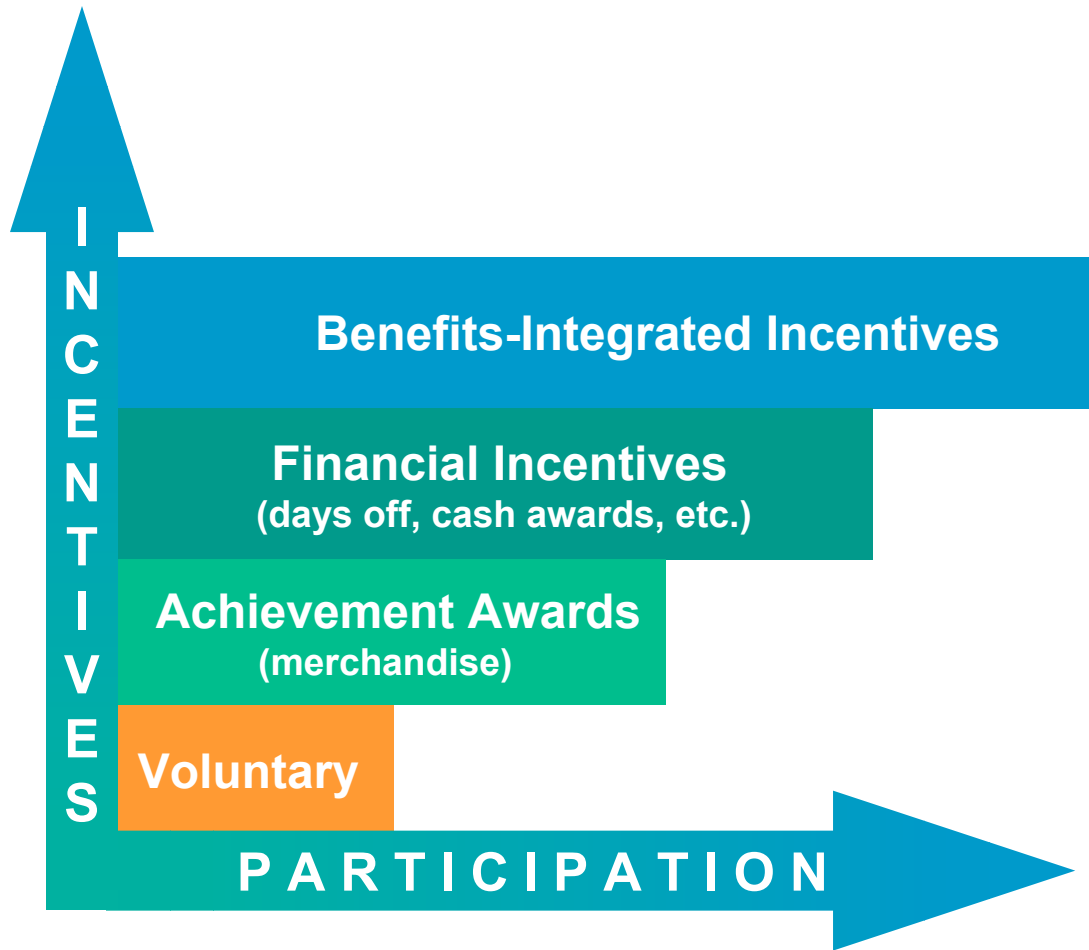
Types of Incentives

Financial Incentives 50% to 90%

Days off, Cash awards, Gift Certificates, etc.



Impact of Incentives



The greater the **incentive**, the greater the **participation**

The greater the **participation**, the greater the **impact** on health status and healthcare costs

CASE STUDY – 236 Bed Hospital

- ▶ YEAR 1 - low-key approach, small financial incentive
 - 36 percent of those eligible completed a health assessment
 - 43 percent of those eligible completed a lifestyle improvement program

CASE STUDY – 236 Bed Hospital

- ▶ YEAR 2 - 2005 - \$500 discount on annual employee health insurance premium
 - 80% of those eligible for the incentive completed the health assessment
 - 79% of those who qualified, enrolled in a lifestyle management program.

CASE STUDY – 236 Bed Hospital

- ▶ Increase in documented health improvements among repeat participants:
 - 30 percent exercise more times per week;
 - 25 percent have lost 5 pounds or more;
 - 33 percent have seen a blood pressure drop of 4 points or more;
 - 29 percent have lowered their cholesterol by at least 10 mg/dl.



QUESTIONS?

