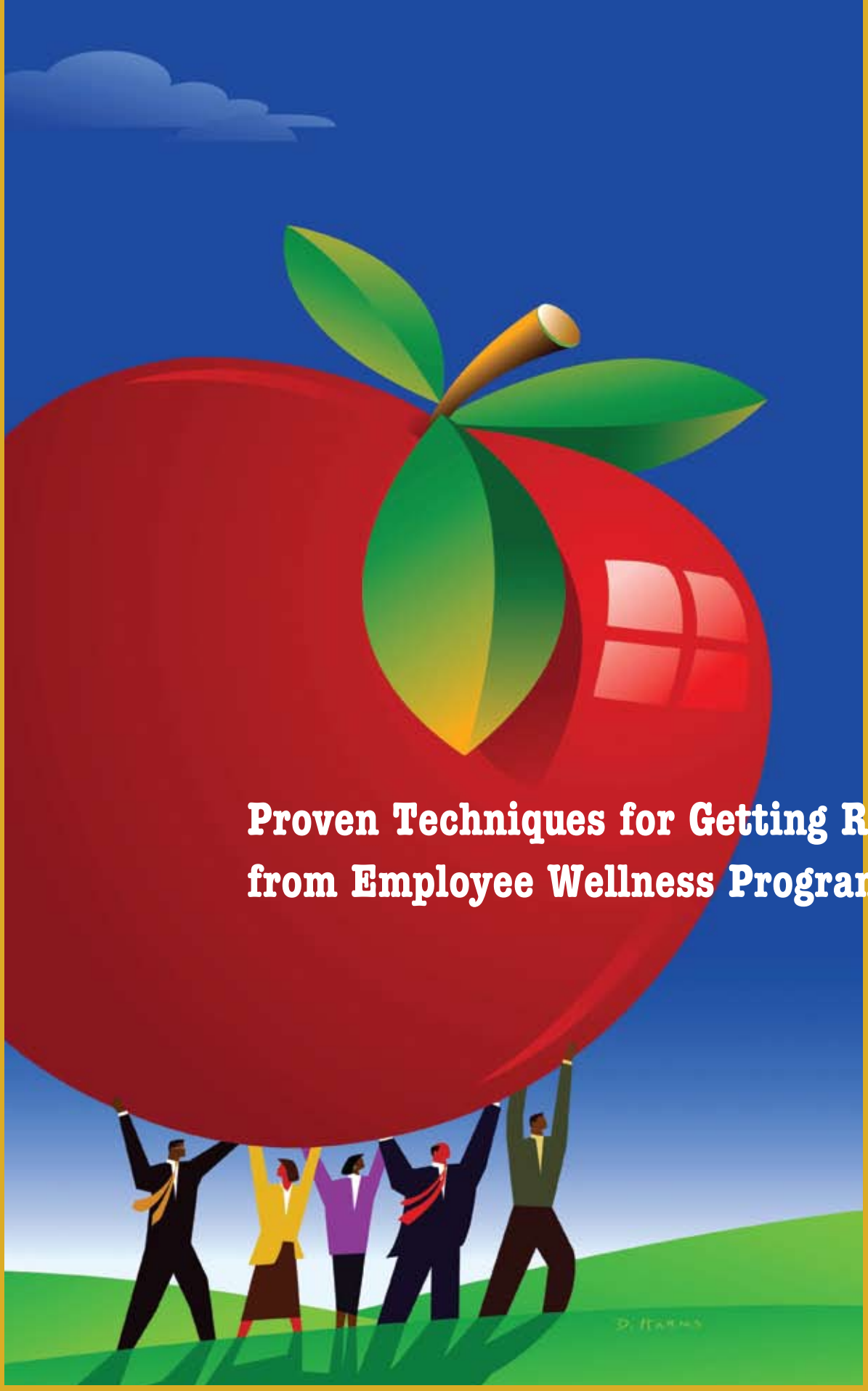

Proven Techniques for Getting Returns from Employee Wellness Programs

BY SHAYNE KAVANAGH, CAREY ADAMSON, AND CHRIS SHANAHAN

Wellness programs are employer-sponsored initiatives designed to improve the health of employees, leading to a decrease in health-care costs for the employer. They can include any number of more specific elements, but the core ingredients generally include a health risk assessment for employees (including a blood test and lifestyle questionnaire), resources to help employees improve their health in targeted areas (e.g., a smoking cessation or weight loss program), and an incentive program to encourage participation and to get better results.

Many governments are enthusiastic about wellness programs; in a survey of GFOA members, conducted by the Government Finance Officers Association and Colonial Life and Accident Insurance Company, close to 80 percent of respondents have undertaken at least some form of wellness program. Of those respondents, 90 percent would recommend their program to others, and 65 percent would recommend it enthusiastically. This enthusiasm is not misplaced; a number of rigorous studies have shown that wellness programs have a significant potential return on investment — more than $3 saved for every $1 invested over a three-year period, according to one particularly comprehensive study of larger employers (with more than 1,000 employees).[1]

Impressive ROI figures are not guaranteed, however. The purpose of this article is to present four key strategies for realizing return on investment from employee wellness programs. Governments that already have wellness programs or are considering one are invited to compare their program design (or anticipated design) against the criteria described in this article.

KEY STRATEGY 1

KEEP IT FOCUSED ON OUTCOMES

The fundamental reason for providing a wellness program is to improve the value residents receive for their tax dollars. A wellness program can accomplish that in two basic ways: 1) by shifting a higher percentage of the cost of the employer health program to employees who do not meet the program's objectives (e.g., charge a higher premium to employees who do not participate), and 2) by reducing the number of claims by creating a healthier pool of health plan participants. In both cases, the employer should start by identifying a series of goals that relate directly to improved health outcomes. These goals should be organized along some or all of the following five elements: body mass index, blood pressure, LDL cholesterol, blood glucose, and tobacco or nicotine use. These five factors are thought to be primary causal factors in 75 percent of all chronic diseases,[2] and federal law allows specific employee wellness incentives to be designed around each of them. Employers who are just getting started with wellness might wish to begin with just one or two of these factors, based on which are the biggest problem for plan participants, and then expand over time.

Not Process versus Results, but Process *and* Results

A successful wellness program maintains a dual focus on process and results. Results come in the form of outcome-focused wellness goals like those described in this article. Processes such as smoking cessation or weight loss programs support these results. Both are needed to get the best return from wellness initiatives.

Exhibit 1 shows what a set of goals might look like. Notable features include the following:

- National Institutes of Health standards are used, allowing the employer to compare its standards to an accepted national benchmark.
- In most cases, an employer's goals won't be as ambitious as the NIH standards. This is often a good idea for employers that are just starting their wellness programs, as it shows employees that that the employer is not being unreasonable in its expectations. The bar can be raised over time.
- Establish alternative goals for cases when an employee cannot meet the primary goal; participants will not be motivated by goals they have no hope of achieving. Alternative goals provide an incentive for making incremental progress, often by moving from one category to another (e.g., from a higher category of blood pressure to one that is closer to the employer's goal). Exhibit 2 provides an example of how a categorization scheme might look for blood pressure-related goals.
- Specify a reward employees can earn for achieving the goal (shown in the far right column of Exhibit 1). Incentives are a major component of many wellness programs.

Exhibit 1: Outcome-Focused Goals for Wellness

Category	National Institutes of Health Goals	Employer's Goals	Alternative Goals	Reward
Body Mass Index	≤ 24.9 kg/m2	≤ 27.5 kg/m2	10 Percent Weight Loss *OR* Move to Improved Category	$30/month
Blood Pressure	≤ 120/80 mmHg	≤ 125/82mmHg	Move to Improved Category	$10/month
LDL Cholesterol	≤ 100 mg/dL	≤ 130 mg/dL	Move to Improved Category	$10/month
Tobacco/Nicotine	Negative	Negative	Complete Cessation Program	$50/month
Blood glucose	≤ 100 mg/dL	≤ 115 mg/dL	Move to Improved Category	$10/month

Exhibit 2: Categories for Blood Pressure

	Systolic	Diastolic
Desirable	Below 125	Below 82
Elevated I	125 - 135	82 - 85
Elevated II	136 — 139	86 - 89
Elevated III	140 — 159	90 - 99
Elevated IV	160 or Higher	100 or Higher

Systolic measures the pressure in the arteries when the heartbeats (when the heart muscle contracts). Diastolic measures the pressure in the arteries between heartbeats (when the heart muscle is resting between beats and refilling with blood).

KEY STRATEGY 2

COMMUNICATE

The concept is simple: The more employees who participate in a wellness program, the higher the potential return. Ideally, 90 percent or more of the workforce would be in the program. The starting point for getting to that level of participation is making sure workers are aware of the program and understand what it is. Employers need to establish a good communication plan that addresses these elements.

Create Awareness. Employees are often not aware of all their wellness benefits, and when they don't know, they can't participate. Fifty-eight percent of employers report low employee engagement as the biggest obstacle to changing their employees' health risk behavior.[3] Low engagement means employees aren't getting their physicals or participating in wellness initiatives or health risk assessments.

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When employees know about their wellness programs, they consistently report a keen interest in these benefits. One survey found that 78 percent of employees would participate in physical activity programs if they were offered; 74 percent would take advantage of fitness centers; and 69 percent would engage in nutrition programs, health risk assessments, and health club memberships.[4]

Make Sure Employees Understand. Wellness programs are often poorly understood. A 2012 survey of both employers and employees revealed a surprising gap: While 57 percent of employers believed their employees had a good understanding of the health and wellness programs offered and how to participate, only 41 percent of employees said the same. Only half of respondents said they knew how to participate, while the other half had either some understanding or none at all.[5]

Take a Focused Promotional Approach. Wellness programs also fall short because there isn't enough support and enthusiasm for building a wellness culture. If the organization's top managers don't take an active interest in wellness, the program can easily become little more than subsidized health club memberships or nutritional information posted in the cafeteria.[6] Further, the conventional means of promoting a workplace benefit — fliers and newsletter postings (perhaps nowadays augmented with intranet and e-mail) — often take a centralized, scattershot approach.

Successful wellness programs start with the tone set at the top. Top managers can create a work environment that is conducive to wellness, such as providing employees with the time or even the space for exercise during the workday. Even better, if top management is seen to personally make

time for wellness (e.g., exercise), then employees will feel better about making time themselves during the workday. Middle managers also play an important role in wellness leadership, since they shape the day-to-day work experience of their employees, so promoting wellness should be made a distinct job responsibility for them as well.

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A wellness coordinator can complement the efforts of management by designing a comprehensive, coherent wellness program, creating excitement around it, developing specialized communication media, evaluating the results, and adjusting accordingly. Organizations that have a dedicated employee promoting wellness generate 26 percent more participation.[7] However, hiring dedicated wellness personnel is an expensive undertaking that is generally reserved for large employers. An alternative is to work with a benefits carrier that can provide one-on-one benefits counseling to help employers understand the full range of programs offered. Research shows that nearly all (96 percent) employees who meet individually with a benefits communication counselor say it improved their understanding of benefits, and 98 percent of those surveyed said the interaction was important.[8]

Finally, wellness champions can exist at various levels in the organization. These are simply employees who are enthusiastic about wellness and who support the program at the grassroots level. This could include providing technical assistance to other employees or just spreading their enthusiasm to others.

KEY STRATEGY 3

PROVIDE WELL-DESIGNED INCENTIVE STRUCTURE

A good communications approach is critical for making employees aware of the organization's wellness program and fostering their desire to participate in it. Wellness programs are commonly associated with incentives for participation, and many wellness experts see this as a vital element for increasing participation beyond the uptick that can be achieved by communications alone. The features outlined below need to be considered when designing a wellness incentive:[9]

- **Focus on Outcomes.** To produce a return, a wellness program must make an impact on health outcomes and lower the total dollar amount of claims. Therefore, incentives should be directly related to the desired outcomes for the program. For example, in addition to rewarding employees for completing a full weight loss program, employers should also reward incremental reductions in body mass index.
- **Give Rewards as Soon as Possible.** Rewards that are given when the objective is achieved, or as close as possible, have a larger impact on behavior than those that are deferred. Employees should receive incentives as soon as the goal is reached, not at year's end or in a scheduled meeting that's six months away.
- **Make Incentives Highly Visible.** Conspicuous incentives tend to have a larger impact than smaller gestures. For example, a $25 cash reward included in an employee's regular paycheck doesn't make much of an impression; nor does a $25 discount on a $1,000 health insurance premium. (This is not to say that premium adjustments are not helpful.) It is much more effective to give the employee a $25 check. Gift cards and deposits into an employee's health savings account are other ways to make an incentive more conspicuous.
- **Keep It Simple.** The rules and criteria for obtaining the incentive should be easy to understand. The goals shown in Exhibit 1 are an example.
- **Make It Big Enough to Get People's Attention.** "Big enough" depends largely on context; employees who are making minimum wage will be motivated by different amounts of money than those who make top dollar. It makes sense to budget between $600 and $800 per employee per year for an effective incentive program.

For employers that are concerned about how to fund incentives, Section 2705 of the Patient Protection and Affordable

Fund Incentives by Playing the Lottery

Psychological research suggests that employers can stretch their incentive budgets further by using lotteries. Rather than giving employees cash incentives, they can be given a chance to win a much larger prize. Employees tend to value the chance to win a larger prize more highly than the economic value of their actual chance to win. This strategy harnesses the same cognitive patterns that make state lotteries so popular despite that fact that the vast majority of people who play them lose money.

Care Act may provide at least a partial answer: Employers are allowed to use up to 30 percent of the total amount of employees' health insurance premiums (50 percent, when nicotine is included as one of the risk factors that incentives will be used for) to provide outcome-based wellness incentives.[10] Hence, employers can raise employee health insurance premiums and return the amount of the increase to employees as incentive payments. This would be cost-neutral for some, more costly for employees who don't participate in the wellness program, and less costly for those who participate fully.

Employers might also choose to consider disincentives. Psychological research has shown that losses matter more than gains. In other words, the prospect of losing some amount of money is more motivating than the prospect of gaining that same amount of money. A good example is the use of premium differentials, which penalizes those who don't participate in the wellness program with higher premiums than participants pay.

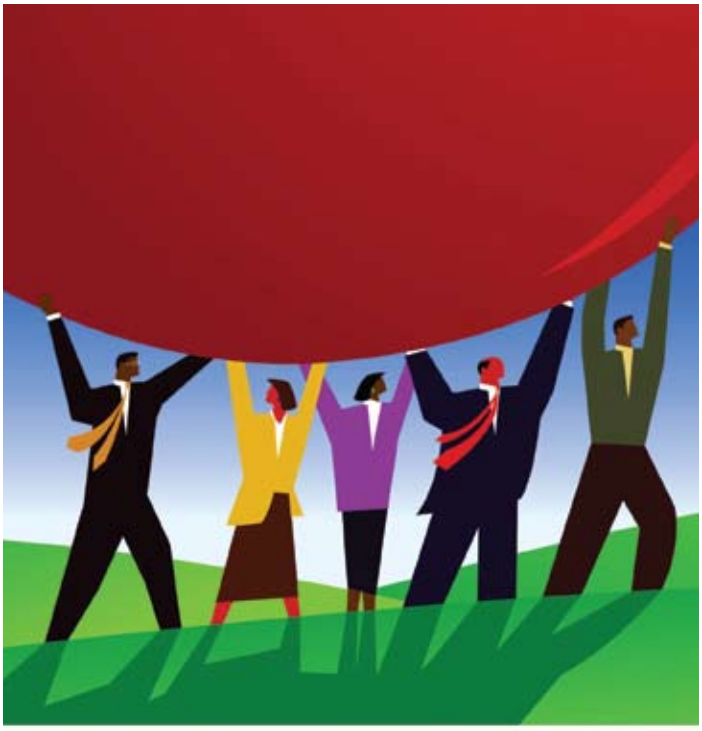
Finally, employers should consider ways of getting spouses and domestic partners involved in the wellness program. Employees make up only a portion of the covered lives that comprise the total employer health-care plan. Spouses make up a significant portion and often drive a large part of the claims. Hence, there is a simple mathematical reason to get spouses involved in the wellness program — more people in the wellness program will further reduce costs. Employees also find it more difficult to follow through on their wellness goals at home if their spouses are not engaged in the effort as well. Spouses can be engaged in the wellness program using incentives similar to those used on employees.

KEY STRATEGY 4

CHECK AND ADJUST

Employers should regularly check to see how the wellness program is working and make adjustments as needed. They need to obtain aggregated information on the risk factors described earlier in this article, showing how participants are doing relative to employer goals. Important things to look for when analyzing the performance of the wellness program include:

- **Trends.** If multiple years of data are available, check how performance has changed compared to the goals over multiple years. If, for instance, no improvement has been made in improving a poor score on blood glucose, a different approach is likely needed.
- **Benchmarks.** Compare performance against demographically similar employers. This helps provide context for the scores.
- **Segments.** Although the employer should not scrutinize individual results (this would, in fact, be illegal), it is helpful to review results by relevant segments of employees such as work location or department. For example, if one department is not improving as fast as others, more focus might be needed there.



- **Reward Level.** It can be helpful to see how many employees have earned a reward, and how much. Employers can use this information in estimating the cost of the incentive program in the future, including potential changes to the goals.

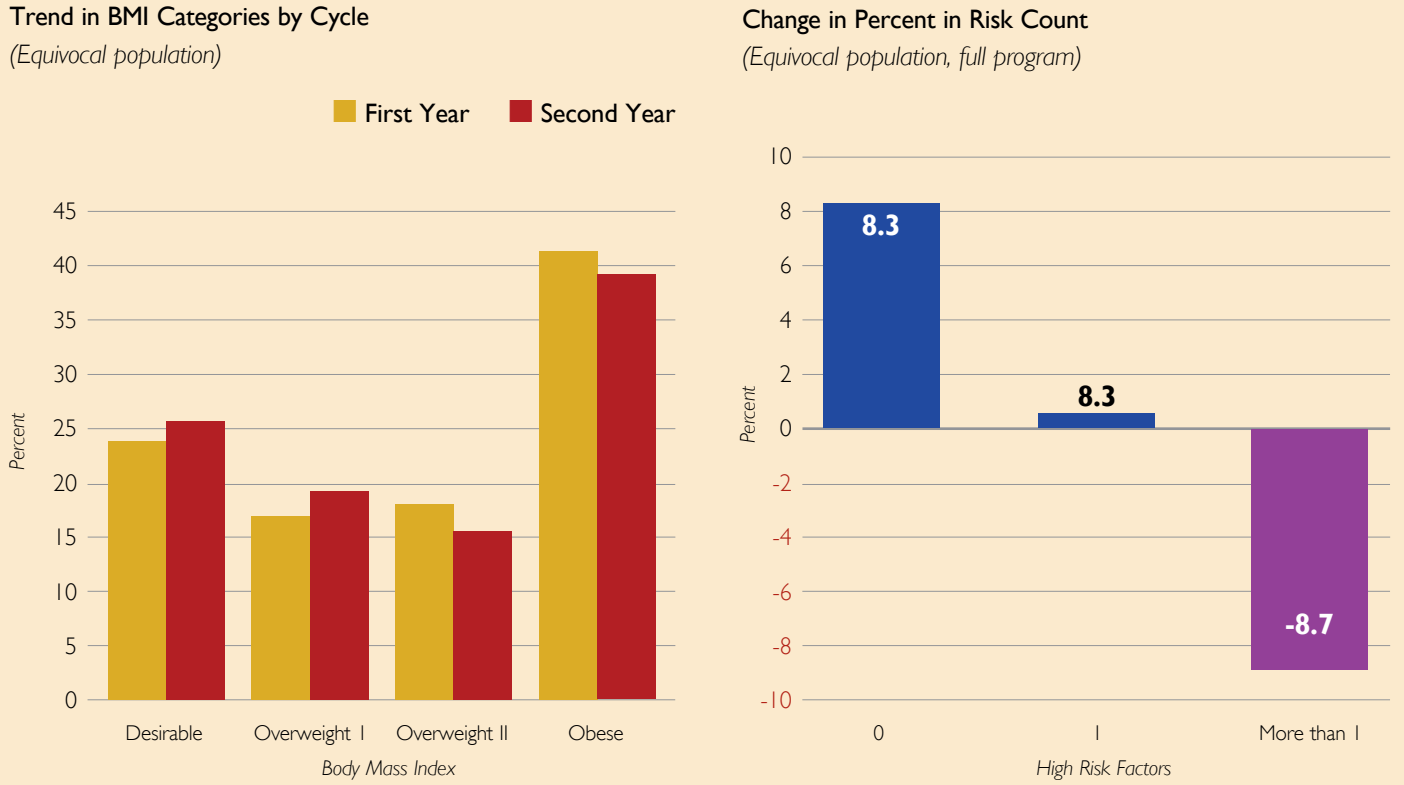
Two examples of the types of analysis employers might conduct are shown in Exhibit 3. The left-hand chart shows how BMI for the workforce compares in the first and second years. Similar charts could be devised for the other risk factors and to show more than two years. The right-hand chart shows the change in the portion of employees who have "high risk" conditions in any of the risk factors (e.g., obesity). This provides a good global overview of how the workforce is doing on wellness.

> If top managers don't take an active interest in wellness, the program can easily become little more than subsidized health club memberships or nutritional information posted in the cafeteria.

CONCLUSIONS

Wellness programs offer a considerable potential return on investment, but they must be properly designed if the employer is to realize that return. Creating a well-designed program starts by defining outcome-focused wellness goals. The way wellness programs reduce the cost of the employer-provided health benefit is by improving health outcomes. Once goals are established, the maximum number of plan participants must be engaged in meeting them. This starts with the organization's leadership, which must demonstrate that the organization takes wellness seriously. Incentive structures that engage both the employee and spouse also help maximize participation. Finally, the effectiveness of the wellness program should be continually monitored, and adjustments made in response.

Exhibit 3: Types of Analysis Employers Might Conduct



Real Life Returns on Wellness

- The City of Arden Hills, Minnesota (population 9,550, 25 employees in the health plan), improved its experience, leading to a $24,000 refund from the city's carrier and a 13 percent decrease in premiums.
- Since the City of Lewiston, Maine (population 41,500, 443 employees), implemented a wellness program in 2006, its health-care premiums have decreased by $736,757 (through 2008). From 2007 through 2010, premiums have increased an average of 3.3 percent, less than the national averages of about 4.5 to 5 percent for the same period.
- The City of Irving, Texas (population 216,000, 1,800 employees), reduced its GASB No. 45 unfunded actuarial accrued liability by 50 percent (from $52 million to $26 million) within two years of implementing a new retiree health insurance strategy that includes a comprehensive wellness program.

Notes

1. ROI figures include soft-dollar savings like productivity gains and reduced absenteeism. See Katherine Baicker, David Cutler, and Zirui Song, "Workplace Wellness Programs Can Generate Savings," *Health Affairs*, February 2010.
2. Chronic Diseases: The Power to Prevent, the Call to Control, U.S. Centers for Disease Control, 2009.
3. Boosting Wellness Participation without Breaking the Bank, Towers Watson, July 2010.
4. Workforce Management 2012 Employer/Employee Survey, Colonial Management, May 2012.
5. Colonial Life-Harris Interactive Quick Query, June 28-July 2, 2012.
6. Leadership concepts for wellness taken from: Leonard L. Berry, Ann M. Mirabito, and William B. Baun, "What's the Hard Return on Employee Wellness Programs?" *Harvard Business Review*, December 2010.
7. Wellness in the Workplace 2011: An Optum Research Update, Optum, 2011.
8. Post-enrollment survey, Colonial Life Benefits, January 2013.
9. Taken from interviews with Kevin G. Volpp, Director, Center for Health Incentives and Behavioral Economics at the Leonard Davis Institute at the University of Pennsylvania, and Adam Powell, Managing Partner and President of Payer + Provider.
10. Kevin G. Volpp, David A. Asch, Robert Galvin, and George Loewenstein, "Redesigning Employee Health Incentives — Lessons from Behavioral Economics," *New England Journal of Medicine*, August 4, 2011.

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