

Using Incentives to Encourage Participation in Wellness Programs

Rationale for Incentive Programs

Many companies use incentive programs without clearly answering the question, “Why?” As simple and obvious as this may seem, the answer should be driven by the objectives of the overall wellness program. For example, if the reason is to control long-term health care costs, the incentives should reward behaviors that will lead to that outcome. Increasing participation in short-term programs can look and feel good, but is it enough to justify future efforts?

It is essential to recognize, however, that increasing participation is very important to the process that leads to the desired outcomes. It is also appropriate to include some short-term activities in which the basic purpose is enjoyment. The greatest success in using incentives occurs when one finds the right mixture of activities and rewards that help individuals take the baby steps that lead to and sustain healthy lifestyle changes.

Guidelines for Using Incentives

Wouldn't it be wonderful if all employees participated in wellness activities simply because they knew it was good for them? Unfortunately, this is far from reality. Therefore, the use of incentives is appropriate, and when used effectively, can increase participation and make wellness fun! When offering incentives for wellness activities, consider the following guidelines:

Incentives should be integrated into your overall benefits strategy.

Using small items such as T-shirts and caps can help market your program (see below), but do not provide enough motivation to engage those who you most want to reach—those at high risk. By integrating your wellness incentives and benefits plan, you communicate that the two are interrelated. That is, the organization is willing to help those who make efforts to help themselves. For example, those who participate at established levels over the course of the year will be rewarded with lower premiums; premium holidays; lower deductibles; contributions to FSAs, HSAs, or HRAs; additional paid time off; or a combination of the above. **Note: Be aware of tax implications of your incentives. Those listed above are tax neutral for the employer and employee. However, if you use cash or gift certificates above certain values please consult with your accounting advisor regarding the tax consequence of these items.**

Everyone who achieves a goal should receive something.

Incentives should be used to encourage employees to incorporate new positive health behaviors or maintain existing positive behaviors. Everyone who achieves a goal to change or maintain a behavior should receive something for his/her efforts.

Offer participation incentives.

Seminars, classes, screenings and A-V presentations (film and videos) are activities which do not require employees to attain a goal. Still, employees like to be “rewarded” for making effort to participate. Door prizes and health snacks are good participation incentives. You can also incorporate these as a “discretionary event” on the Wellness Works program. Another way to reward participants is to enter the name of every employee who participates in an activity into a drawing for a significant prize (e.g., airline tickets for two, weekend getaways, cash) which is given away at the end of the year. Thus, every time an employee participates in an employer sponsored activity, he/she increases his/her chances of winning the “grand prize” sweepstakes.

Avoid offering incentives for the “best” or “most.”

By offering incentives to individuals who lose the most weight, log the most miles, or get the best fitness score, you are encouraging excessive behavior. In the end, only the elite will be rewarded. As mentioned previously, employees should be striving to achieve reasonable goals, and rewarded when such goals are met. Competition should be directed at positive health-related goals, not their co-workers.

Incentives don’t always have to be health or fitness related.

Gym bags, running shoes, and discounts at sporting good stores are appealing to individuals who are already physically active. To attract individuals who may or may not be physically active, offer incentives that are more generic (e.g., gift certificates at department stores, cash, weekend getaways, passes to local movie theaters or amusement parks). Ask employees on surveys or via focus groups what incentives might motivate them to participate in wellness activities.

Incentives can be used to promote the corporation’s wellness program.

Items that are typically used at the worksite (e.g., pens, paperweights, coasters, mugs, clocks) can have the wellness program name and/or logo embossed on them and can be offered as incentives. Employees will typically keep these awards at their work area. Employees who have not been participating in the wellness activities MAY see these awards displayed on the desks of their co-workers and it may encourage them to participate in the future. These type incentives should not be substituted for more meaningful incentives, like those described above. Their primary value is to promote the program and achieve “top of mind” presence for the program and its activities.

Rewards based on biometric values have consequences.

Rewards should be based on participation and completion of activities that result in lower risks and improved health status. For some organizations there is a temptation to reward on actual biometric changes, such as achieving recommended levels for blood pressure, weight, or cholesterol. While these should be desired outcomes of a wellness program, rewarding for them becomes tricky. Among the concerns are avoiding discriminating against those who cannot achieve the levels due to genetic conditions,

and the cost of providing screening services for the entire population when not all are appropriate candidates. In a new wellness program, employees may view the requirements of biometric testing to be overly invasive of privacy. Finally, pending HIPAA regulations allow rewards based on biometric values, but limit the amount of the rewards and require that alternative programs be in place for those who are not able to achieve the required standards.

How long should it take to earn an incentive?

Our philosophy is that people should participate in a variety of activities over a long-enough period of time that a behavior change is likely to take place. Thus, the Wellness Works program offers a variety of ways to earn Wellness Credits that accumulate throughout the year. The credits are totaled up as the employee accumulates them to try to reach the company goal by the end of the year. It is still a good idea to use small participation awards (T-shirts, caps, etc.) during the year, if the budget allows. However, employees should keep their sight focused on the year-end goal.

How much do incentives cost?

Consider two questions: what is the cost, and what is the perceived value? The cost may be neutral. For example, a company may increase the deductible amount from \$250 to \$500, and then offer an incentive of \$250. If the incentive is a \$250 reduction in the deductible, the cost is neutral. If the incentive is \$250 in an FSA, it becomes a real expense when the employee withdraws the money to pay for a medical expense. If the incentive is \$250 cash, the real cost becomes almost \$270 (with FICA and Medicare), and the employee receives around \$185 if in a 20% tax bracket. If the incentive is \$250 in merchandise, add the fulfillment fee to the company's \$270 expense. While some populations require more encouragement than others, our experience is that around \$200-\$300 a year works well with most populations. If incentives are also used with individual activities, like participation in wellness or health risk assessments, a perceived value of \$25-\$50 works well if delivered soon after the activity is completed.

Examples

Many different “carrots” have been used to encourage participation. There is not a universal answer to “What works best?” One key is matching the *perceived value* of the reward with the *perceived effort* to earn it. Another key is being sure that everyone who meets minimum requirements is rewarded. (Note: Drawings and sweepstakes work best when they complement, not replace, meaningful recognition of every person who made an effort to accept more responsibility for his or her health.)

While some companies have experienced success using cash or merchandise awards, the trend today is to integrate the wellness incentive with the company's overall benefits strategy. Below are some pros and cons for a variety of incentives.

Drawings

Pros: Fun; create excitement because of potential high value; low cost; easy to fulfill

Cons: If only award system, excludes many who made significant effort, leading to long term participation reduction

Cash

Pros: Value is easy to communicate; easy to fulfill; use payroll system for employees

Cons: Taxable to employer and employee (reduces actual value)

Merchandise (T-shirts, water bottles, caps, etc.)

Pros: High marketing value; “sizzle”; easy to communicate

Cons: Taxable if not considered de minimis; expensive to fulfill; lose perceived value over time

Benefits (premium reduction/holiday, deductible reduction, favorable coinsurance)

Pros: Sends positive message; pre-tax; supports changes in plan design

Cons: May be difficult to administer; requires participation in health plan

Health Savings Accounts (FSA, HSA, HRA)

Pros: Sends positive message; pre-tax; supports changes in plan design; easy to administer; works for everyone, even those not in health plan

Cons: Requires enlisting employees; may require employee education

Note: FSA and HRA dollars remain in fund, while HSA dollars are an immediate expense.

Importance of Simplicity

A common mistake in program design is making it too complex. Keep all aspects of the program easy for the participants to understand and easy to track. The learning curve for participation should be no more than 5 minutes. Let them focus their learning efforts on the behavior, not the rules and regulations of the program.