

# Employee Benefit Plan Review

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## ■ Focus On... EMPLOYEE HEALTH INSURANCE

### Is Participation in Your Wellness Programs Under the Weather? Incentives and Integration May Be the Cure!

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It is no surprise that a healthy workforce is a more productive workforce. And, healthier workers are less expensive to insure. Recognizing that, companies are hopping on the wellness wagon and introducing programs to get their workforce well-being on the up-swing—ultimately saving money on health care for both the individual and the corporation. A study by the International Foundation of Employee Benefit Plans found that nearly two-thirds of employers (62 percent of respondents) currently offer wellness programs, and an additional 15 percent plan to implement wellness initiatives in the next calendar year.

While these programs are available to employees—many times at no additional cost or offered during working hours—the same survey also revealed that more than 80 percent of employers experience less than 50 percent employee participation. With the rise of consumer-driven health plans and the increased cost for quality care, why are more employees not taking advantage of programs geared toward healthier living offered in the workplace?

For one thing, most employees do not make the connection between their state of wellness and the health care premiums they pay. Another reason is that most programs are not offered at times when employees are making decisions about their health care—during open enrollment. To get employees excited about living a healthier lifestyle along with improving morale, lowering health care costs and claims, and reducing incidence of absence, many employers are tying participation in wellness programs to incentives such as premium reimbursement and other rewards. By linking wellness initiatives and benefits open enrollment together, coupled with incentives to encourage employee participation, more companies will realize greater employee engagement and ultimately a healthier and more productive workforce.

#### A BITTER PILL TO SWALLOW

As costs for health care continue to rise—last year employer health insurance premiums increased by 9.2 percent (which is, according to the National Coalition on Health Care, nearly three times the rate of inflation)—more employers are turning to Consumer Driven Health Plans (CDHPs) and asking employees to share in the cost and get more involved in their health care. A recent Health Management report from

Forrester Research indicates that 54 percent of employers interested in reining in the costs of health coverage for their workers plan to offer CDHPs by 2007. CDHPs are health benefits plans that engage covered individuals in choosing their own health care providers, managing their own health expenses, and improving their own health through behavioral modifications. Usually designed as high-deductible medical plans coupled with an employer-funded reimbursement account for each employee, many of these plans are comprised of an HRA (Health Reimbursement Arrangement) or HSA (Health Savings Account), group health coverage, and online decision-support tools.

While HRAs and HSAs encourage participants to be more responsible in their health care decisions since they are, in essence, spending their own money, wellness programs encourage employees to adopt healthier lifestyles—and reduce health coverage costs. In PricewaterhouseCoopers' latest Management Barometer Survey, 72 percent of executives surveyed believe that “with such plans, employees will definitely or probably reduce their spending on discretionary health care.”

#### THINK LIKE A HEALTH NUT

Disease management, preventative health, and on-site wellness programs are designed to help employees prevent and manage medical illnesses as well as make behavioral modifications that will improve their general health and reduce or avoid health care costs. In addition to moving to CDHPs, Forrester Research also indicates that 78 percent of employers will have one or more of these benefits in place within a year.

Health Risk Assessments determine your population's health status and what types of programs will be meaningful to employees. With more than 56 percent of Americans wanting to lose weight, according to a recent Gallup poll, and tobacco smoking as the number one cause of preventable disease and death in the United States, according to the latest Surgeon General's Report, it is no surprise that smoking cessation and weight control are two popular wellness programs offered at the workplace. In fact, with good smoking cessation programs, 20 to 40 percent of participants are able to quit smoking and stay off cigarettes for at least one year. Other programs that have a favorable impact on mitigating employee health conditions include diabetes, hypertension, and heart disease clinics. Modifying behavior means less money spent on

claims, less absence, and employees that are more healthy and productive on the job.

Traditionally employers' efforts to get employees to participate in these programs have been met with waned enthusiasm. Some feel it is an intrusion on their lifestyle and are apprehensive sharing personal medical information or revealing a flaw in their wellness habits—even when risk assessments are anonymous. Others simply fail to view it as a necessity to incorporate into their busy lives. Ultimately, it's not that employees are unaware that eating better, quitting smoking, and living healthier lives are good for them, but they do not correlate their state of wellness with the health care premiums they pay.

### INCENTIVES ARE VITAL FOR INCREASED PARTICIPATION

Eighty percent of executives surveyed by PricewaterhouseCoopers believe the most promising option for reducing corporate health care cost increases is to provide financial incentives for employees to live healthier lifestyles. As more companies offer wellness programs and HRAs and HSAs, the differentiator for those that are successful and those that are not will be the offering of incentives. Employers that reward for good health will pay less for sickness.

In addition to boosting participation, incentive rewards help employers yield a higher return on their investment. Employees not only get healthier, but health care costs go down. Employees are out of work less and are more productive when they are on the job. Incentives can be designed around a one-time or annual cash payment, gift certificates, paid time off, full or partial reimbursement of a health-related cost such as a fitness center membership, lower health insurance premiums, and lower health insurance deductibles.

But incentives alone may not be enough to drive participation. Integrating wellness initiatives with a rewards-based incentive during open enrollment is likely to generate an even greater level of participation. Not only will it strike a chord with employees as they make their upcoming health care decisions, it also helps connect the relationship between healthy behaviors and lower health care costs.

Corporate wellness programs, when offered at the point of purchase, inspire a call to action by capitalizing on when people are making an emotional decision about their health care. For the most part, people think about their health when they are sick and when they are choosing their benefits elections for the upcoming year. Linking wellness to benefits open enrollment assists employees in understanding that behavior modification and healthy living can potentially slim their waistlines while fattening their wallets. Everybody wins when employees get healthy: they are more productive at work and at home, medical expenses are reduced, absenteeism is lessened, and because healthy workers feel good, morale improves too.

### INTEGRATION OFFERS COORDINATION CURE

While offering wellness programs and incentives to participate can make the workforce stronger and healthier, the coordination and management of information from health risk assessment organizations, wellness providers, and third-party benefits providers can be unwieldy, at best.

Partnering with a vendor for health risk appraisals, another for wellness programs, and another for benefits requires complex administration for eligibility, rewards, and participation and may inhibit gaining an accurate view of the health status of the company. Many companies are still employing manual processes that are time consuming, paper and labor intensive, and prevent the ability to streamline eligibility, track incentives, and rapidly calculate premium contributions. For those taking an automated approach, there is still the need to manage and merge data feeds from their multiple vendors, determine eligibility groups, and calculate premiums. This adds yet another step in the process and invites manual errors and a delay in rewarding employees for participating—a result that is not very inciting! Incentives are more gratifying when they are immediate. And, instantaneous rewards illustrate to an employee that their actions have a correlating payback.

Finding an efficient way to assemble and manage information collectively from different providers has been a challenge facing many organizations that are committed to wellness

initiatives. One solution is taking an integrated approach that automates and facilitates the coordination of benefits enrollment and administration, wellness activity engagement, and individualized reward delivery. Employing a common platform not only delivers a better view into the enrollment and wellness behaviors of the organization, but also provides a more cohesive user experience and better process management system, enabling HR to realize a strong return on capital.

With an integrated system, eligibility, incentives, and premiums are calculated on the fly, tracked in one system, and deliver rewards at the time of purchase. Using one system will also deliver stronger reporting and analytic capabilities that give business users instant access to benefits enrollment activity metrics along with wellness participation and incentives earned in an easy-to-use format. For employers, seamless integration offers improved management of the process, reduced health care costs by helping their employees achieve and maintain good health, as well as the potential cost savings of working with one vendor. For employees, immediate rewards deliver instant gratification in choosing to participate in wellness programs and engage in healthy behaviors.

The cure for ailing enrollment in wellness programs is a simple dose of offering the right programs at the right time along with incentives in an easy to navigate format. By linking the two—benefits and wellness—employees are able to make the connection between their health habits and the premiums they pay. Organizations taking a proactive strategy for managing health, productivity, and absenteeism can take advantage of data and analyze it for risk. Offered during open enrollment, a rewards-based wellness program is an effective solution to reining in health care costs, aiding in improving the corporation's bottom line as well as boosting employee health. ☺

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