

Special Audio Report Transcript

Headline: More Employers Turn to Wellness Incentive Programs To Trim Rising Health Care Costs

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TEXT:

I'm Kelly Wilkinson with a look at the growing number of employers offering incentives to workers who make healthy lifestyle choices -- and why that trend is expected to continue. This is a special report for *California Healthline*, a daily news service from the California HealthCare Foundation.

To address rising health care costs, many employers are trying a new tactic: offering incentives to workers who adopt healthy behaviors. Tom Hubbard is senior program director for NEHI, the New England Healthcare Institute.

(Hubbard): "Conceivably, that could be tobacco cessation programs, it could be Weight Watchers, and direct financial benefit to do that -- making it free, underwriting the costs, actually giving a dollar reward to the employee to take part in those programs."

The Kaiser Family Foundation recently reported that annual premiums for employer-sponsored family insurance topped \$15,000 this year -- that's up 9% from last year. Hubbard says those rising costs -- and the federal health reform law -- increased the spotlight on incentive-based health insurance programs.

The federal government currently allows employers to reimburse workers for up to 20% of health insurance costs for meeting certain health goals, but the health reform law will increase that rate to 30% in 2014. As a result, more companies are expected to try out such incentive programs.

(Hubbard): "Polls of employers have tended to show pretty consistently through this whole recession that employers are remaining committed to this kind of program. And the numbers have continued to tick up. I think a big reason is that employers don't see a lot of constructive alternatives to keeping their costs down. And so absent any other kind of magic wand that could be waved at keeping costs down, then there is an argument to be made for trying to make investments in just bettering the health of employees."

For some health insurers like Blue Shield of California, that means offering incentives or discounts on premiums if employees do things like fill out health questionnaires or get preventive screenings. Supporters point out the logic: that health care costs will be reduced if people take preventive action and make healthy decisions.

Wellness incentive programs keep personal health information confidential. And, employers are required to offer an alternative to workers who can't participate in such programs for medical reasons. That's in place because some health experts worry that the programs could lead to discrimination.

Steven Noeldner is a partner at Mercer Health & Benefits.

(Noeldner): "Given that incentives encourage people to participate in meaningful activities, like changing their lifestyle to improve health risk factors, for example, or better managing their chronic conditions, there is good evidence that suggests that people who participate in those kinds of activities very much do improve their health cost profile. There is health cost avoidance."

And as the incentive trend evolves, so do the programs.

(Woods): "We've taken some of the traditional tenets of wellness -- so things like nutrition, working out, walking, exercising, stopping smoking, getting active and changing your lifestyle. And we've coupled that with the ability for you to personalize your program to gain points as you succeed and go through the program. And then you're able to take those points which become a currency and get rewards for them."

That's Joe Woods, CEO of HumanaVitality. He says one of the most compelling features of their program is determining what the company calls a participant's "Vitality Age" -- which takes into account someone's habits and overall health.

(Woods): "Us traditional insurance people, we're used to looking at mortality tables, and we're used to saying, you know, Joe, instead of living to be 95, you're going to live to be 86. Well, what Vitality Age does is brings it to present because that's so far down the road. It brings it to the present and it says, you know what? You're living six years older than you are really in your chronological age. So if you start to make choices and think about your lifestyle and start to make some baby steps or incremental change, you can really start to reduce your Vitality Age and live a younger, more healthful you."

The program just launched this past summer, so Woods says there's no research yet on cost savings or better health.

Again, NEHI's Tom Hubbard.

(Hubbard): "It's been matter of some debate as to how hard the numbers are to show how well these programs have cut costs and improved the health care outcomes. But it's certainly the case that some of the large companies that have been experienced with this have made some fairly enthusiastic claims."

Mercer's Steven Noeldner says more evidence will likely emerge as the programs mature.

(Noeldner): "I think we're going to see more research in the area to further quantify, what's the right type of incentive, what's the right amount. And all of this is designed to find out what's the optimal mix of type of incentive and timing of incentive, vehicle of incentive to get people to take action. And again, the whole goal is ultimately to get people to do these things from an intrinsic type of motivation, not just driven by this external motivation of an incentive."

This has been a special report for *California Healthline*, a daily news service from the California HealthCare Foundation. If you have feedback or other issues you'd like to have addressed, please email us at CHL@CHCF.org. I'm Kelly Wilkinson. Thanks for listening.