Incentives Guide

The changing tide of health care and wellness incentives

Considerations for safe and effective well-being program incentives
The current state of affairs

Helping employees live their best lives and achieve and maintain optimal well-being is an important focus for employers. And for good reason, because when employees maintain work-life balance, they can perform their best — at work, at home, and in their community.

Successful well-being programs empower employees and their families to make changes in their lives that can improve their overall well-being, including their physical, emotional and financial health, as well as social and professional fulfillment. But as we all know, sometimes we need a little nudge to get moving in the right direction.

Financial incentives came into play for employers in the early 2000s as a way to encourage participation in well-being programs and their use exploded after the 2010 passage of the Affordable Care Act. The use of financial incentives has become smarter and more strategic, to more carefully align with our knowledge of behavior change science, motivation, evolving employer goals and consumer preferences. While changes are anticipated in health care in the near future, we know that building a supportive culture will continue to be the dominant factor in the success of well-being programs and their incentive strategies.

Our team at StayWell are behavior change experts with decades of experience designing and implementing effective incentive strategies for a wide variety of industries. We also have a long-term research focus on incentives and have published findings in peer-reviewed journals. This unique experience and perspective has enabled us to develop a deep understanding of how and when to use incentives effectively – as well as when not to use them. Hungry for more? Check out these resources:

**Impact of financial incentives on behavior change program participation and risk reduction in worksite health promotion.** Authors: Stefan Gingerich, MS, David Anderson, Ph.D., and Heidi Koland, MS. (2012)

**Finding common ground in the use of financial incentives for employee health management: A call for a progress-based approach.** Authors: Paul Terry, Ph.D., and David Anderson, Ph.D. (2011)

**The role of incentive design, incentive value, communications strategy, and worksite culture on health risk assessment participation.** Authors: Erin Seaverson, MPH, Jessica Grossmeier, Ph.D., and David Anderson, Ph.D. (2008)

The benefit of experience

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Over the years, consumer preferences have changed, as have the demographics of our workforce. For the first time ever, baby boomers do not make up the largest portion of our workforce. Because of this generational shift and our increasing knowledge of best practices, incentive designs have evolved to appeal to a broader population of employees. For some employers, the norm is still small trinkets and recognition, meanwhile others use financial incentives (such as cash, health plan premium reductions, or spending account contributions, and gift card options), and an increasing number of companies are incorporating community and charitable giving into their incentive structure.

What we know: Industry trends in incentives

**Prevalence of incentives:**
A survey by the National Business Group on Health (NBGH) found that 74% of employers surveyed offered incentives in 2017 as part of their health and well-being programs to encourage participation and behavior change. In 2010, incentive prevalence was at 63%. By 2014 it had risen to 74%, but has leveled off since then, with 2015 and 2016 incentive prevalence at 79%, and 72%, respectively.

**Incentives for employees:**
The average incentive increased slightly from 2016 for employees, from $651 in 2016 to $742 in 2017. The median this year held steady at $600 suggesting that fewer employers are offering very large incentive amounts.

**Incentives for spouses/domestic partners:**
Over time, employers have extended their well-being efforts to spouses/domestic partners, this includes use of incentives. There was a substantial increase in the percentage of employers who offered incentives to spouses from 52% in 2016 to 69% in 2017. Similar to employees, the value increased - up from $471 in 2016 to $694 in 2017. Consistent with employees, the median incentive was $600 in 2017.

**Health-contingent incentives:**
Overall use of this controversial incentive approach decreased to 24% in 2016 from 42% and 44% in 2014 and 2015, respectively. Although there was a slight increase in 2017 to 31%, the use of health-contingent incentives remains less common among employers.

**Non-financial incentives:**
The use of non-financial incentives has become more prevalent among employers with 67% of companies offering at least one type of non-financial incentive. These types of incentives may include rewards such as recognition – either for the employee or a group of employees, raffles, charitable giving, and paid time off. Recognition and raffles were identified as the most prevalent and are currently reported as the most successful according to employers.

Non-financial incentives are gaining popularity; two-thirds of employers report leveraging this approach as part of their health/well-being strategy.
Putting our experience to work for you

StayWell's considerable experience and research, as well as design and implementation of behavior change programs has taught us a thing or two about what works for employee health and well-being. And, while the industry is constantly evolving, there are some constants that remain true.

A supportive culture always wins

The workplace can have a significant impact on the success of behavior change and incentive strategies. From the physical environment (well-lit and attractive stairwells, walking paths, ergonomically sound office furniture) to workplace policies (healthy food choices, smoke-free campuses, encouraging work-life balance) to leadership support (executives and managers who visibly support and participate in the program)—if the culture doesn't support the desired behavior, no amount of incentive is likely to produce lasting change.

Take for example, the cultural shift related to tobacco use in the United States. Over the years, as science proved the dangers of smoking, policies were changed and a massive public health communications effort educated people about the dangers of smoking and how to get help to quit. It is now the norm to limit tobacco use and it became the norm to prohibit the use of tobacco in the workplace and other public spaces. Taxes and surcharges played a role but the combination of fees, policies, and environment likely made the difference. In short, the culture was advanced to support the desired behavior. These changes didn’t happen overnight — in fact, it took 15 years to see a 10 percent decrease in tobacco use. And while the progress was slow and steady, employers and public policy remains constant today due to the continued communication and education on the dangers of tobacco use.

Financial incentives are only one piece of the puzzle

Behavior change is more effective and long lasting if it comes from a person’s own beliefs or their commitment to their individual needs, goals or purpose. Feeling like you have the power to choose and being genuinely interested in something is very different from feeling pressured or coerced into doing something. A person who is attached to what they are doing because it supports their own goals or purpose will have stronger commitment to making the change long-term.

A sound incentive strategy will give employees the opportunity to earn rewards for activities that support or connect to what they want to do versus what their employer requires. If the incentive design is not personally relevant, in some way, to employees, employers may end up buying compliance rather than driving long-lasting change.

Why? Because if an employee participates in a program only to receive the incentive, once the incentive is removed or changed, odds are high that employees will abandon the action or behavior that was required to earn the incentive. Or worse yet, they will resist participating in the program or “game the system” (i.e., complete just enough health coaching to earn the incentive, or speed-click through an online module) because they feel like they are being forced to do so.
Putting our experience to work for you CONTINUED

Employers want sustained engagement and behavior change, but large financial incentives only create compliance.

Research by StayWell and others has demonstrated that financial incentives are effective at increasing rates of simple behaviors like completing a health assessment or other simple activities that do not require sustained motivation (e.g., a biometric screening event). Studies that explored the use of best practices have demonstrated a positive relationship between the size of an incentive and health assessment completion rates showing that small incentives are effective to increase participation; however, that participation begins to level off as the incentive increases. Offering incentives for participation in well-being programs (such as health coaching) can be effective, particularly when the value of the incentive is not so large that motivation is driven by the fear of losing out financially, rather than the desire and interest of the individual. However, buying compliance can be a costly venture. For example, an employer can achieve a satisfactory health assessment level with a $50 incentive. However, for every $100 incentive increase after that, they would typically see only a 10 percent increase in participation. That means that a $200 incentive could produce approximately a 60 percent participation rate, but an employer would be paying $300 for each additional employee who participates. That can be a hefty cost for the employer and it begs the question: is it worth it?

The pros and cons of common incentive approaches:

+ Health plan integration can eliminate or reduce costs
  - Unintended consequences still need to be addressed and avoided

+ Incentive tactics may support culture strategy

Reduce resistance by creating with employees rather than doing to employees
- Focus on creating a culture and environment of support
- Attention on effective communication and engaged leadership

+ Non-financial rewards can be intrinsically motivating
  - Recognition, culturally relevant tokens, small tangible rewards
  - Interaction on social media, games, lotteries, philanthropy
Action steps for employers

At StayWell, we understand that expertise and advice is only good if you can act on it. And, while each workplace and employee population is unique, here are 10 things all employers can do to effectively integrate incentives into their workplace well-being program:

1. Assess the culture of your organization and level of leadership support for employee health improvement. If support is lacking, take steps to amp it up.

2. Create a positive workplace culture that supports well-being and healthy choices—from policies to the day-to-day physical environment.

3. Change the conversation with employees so the focus is no longer on “do this, get that.” Rather focus on helping each other to make lasting behavior change while providing support, options and employee choice.

4. Understand what motivates your employees and build a culture and comprehensive program that feeds their motivation and passion. For example, service-oriented activities and incentives, or programs that integrate social communities, are appealing among employees. Non-financial incentives are also gaining popularity. Talk with your employees – focus groups or surveys are great ways to get feedback.

5. Offer choices to employees, both in the type of activities available to them and how you communicate with and engage them. We know that freedom of choice can make the difference between true engagement and resistance. Providing options allows employees to make their own decisions about what matters most to them while promoting a trust between employee and employer.

6. Communication is key – communicating in a clear, consistent and relatable way to employees is crucial. Reinforce your well-being program brand and keep people informed of opportunities throughout the year to engage and improve their health.

7. Consider a progress-based incentive model that provides an achievable alternative for individuals across the health continuum. This type of incentive, which is an alternative to a more aggressive outcomes-based model, may be viewed more positively by individuals for whom the ideal goal does not seem achievable.

8. Understand and comply with current regulations, but don’t lose sight of your goals. A well-being program can be compliant and effective if you take a comprehensive approach based on best practices and long-term behavior change.

9. Align your incentive strategy with your employee health goals. Do you want your employees to participate in specific programs or complete a certain action? Do you want your employees to sustain a behavior change?

10. Work with your health and well-being partners to integrate all programs and incentives into a comprehensive program design that’s easily accessible to your employees.
About StayWell
StayWell, a subsidiary of Merck & Co., Inc., Kenilworth, NJ, USA ("Merck"), is a health engagement company that helps its clients engage and educate people to improve health and business results. StayWell brings decades of experience working across the health care industry to design solutions that address its clients’ evolving needs. We fuse expertise in the science of behavior change with an integrated portfolio of solutions and robust content assets to effectively motivate people to make positive health care decisions. StayWell programs have received numerous top industry honors, including the C. Everett Koop National Health Award and the Web Health Award for health engagement programs. StayWell also has received URAC and NCQA accreditation for several of its programs. StayWell is headquartered in Yardley, Pennsylvania, and also has major locations in Salt Lake City, Utah, and St. Paul, Minnesota. To learn more, contact us at engage@staywell.com.

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