

EXECUTIVE BRIEF

EMPLOYEE HEALTH AND WELLNESS & DISEASE MANAGEMENT PROGRAMS

THE USE OF INCENTIVES

A Survey of Major U.S. Employers

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Most **large employers now offer health management programs** to their employees. A related trend is the **growing use of incentives as a tool to drive employee participation and engagement** in those programs. Program incentives **averaging \$192 per person per year** are part of an overall employer investment that is expected to yield a return. While most common incentives used are gift cards, premium reductions, and cash bonuses, **the use of gift cards is on the rise**.

For the second consecutive year, Health2 Resources conducted a survey of the membership of the National Association of Manufacturers (NAM) and the ERISA Industry Council (ERIC) to delve into the use of incentives in health, wellness, and disease management programs.

This year's survey found that more than three out of four employers now offer health and wellness programs and almost half offer disease management programs. The results offer **new insights** into employer attitudes about health and disease management programs, including the **nuances of when, how much and what kind of incentives are being used** and how success is measured.

Key Findings:

- ▶ **Health and wellness programs continue to grow.** Currently 77 percent of employers offer formal health and wellness programs, up slightly from 2007, and more than half of those currently without programs plan to add them, many within 6 to 12 months. In 2008, 48 percent of employers offer formal disease management programs, approximately the same percentage as in 2007. (See Chart 1)
- ▶ **Incentives to promote healthy behaviors are on the rise.** Between 2007 and 2008 there was an increase in the proportion of employers offering incentives for health and wellness or disease management programs, from 62 percent of companies with programs to 71 percent in 2008. Analysis of results by type of incentives suggests that the use of incentives with health and wellness programs increased, while the use of incentives with disease management programs declined.¹
- ▶ **Gift cards are a top incentive choice.** Between 2007 and 2008 this survey found a substantial shift in the types of incentive offered for health and wellness programs. The use of "gift cards" increased from 17 percent in 2007 to 28 percent in 2008. Premium reductions and cash bonuses as an incentive continue to be options used by major employers although results show a decline in use from 2007. (See Chart 2)
- ▶ **Employers are offering incentives to drive program participation and program completion.** For health and wellness programs, incentives were most commonly awarded to employees for "participation." When employees

CHART 1.
2008: Majority of Employers Offer Wellness Programs & Offer Incentives With Their Programs

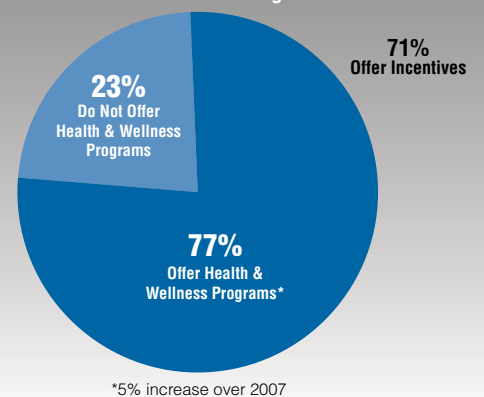
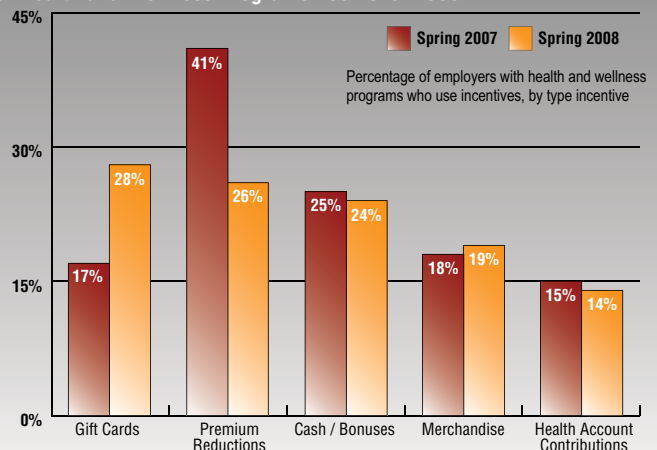


CHART 2.
2008: Change in Type of Incentives Offered for Health and Wellness Programs 2007 over 2008



Source: 2007 and 2008 Survey of NAM and ERIC membership
Note: Percentage is of companies with health and wellness programs.

¹ Because of differences in the way the questions were asked in 2007, separate overall incentive estimates for health and wellness programs as distinct from disease management programs could not be compared between the two years.

“complete” a program (vs. mere participation) 38 percent of employers offer incentives. If an employee achieves an outcome goal (weight loss; smoking cessation) 16 percent of employers offer incentives. (See Chart 3)

- ▶ **Value of incentives is typically between \$100 and \$300 per person per year.** Among employers offering incentives, the average incentive value was estimated to be just under \$200 per person per year. Most programs for which estimates were made involved per-person costs of between \$100 and \$300 per year.
- ▶ **Employers are beginning to successfully measure ROI for health/wellness programs, with 83 percent of those estimating results achieving > 1:1 return.** The proportion of those companies successfully measuring ROI increased dramatically between 2007 and 2008 from 14 percent to 26 percent of employers with programs. Among these respondents, more than 83 percent estimated an ROI greater than break-even in 2008, up from 66 percent in 2007. (See Chart 4)
- ▶ **“Maintaining employee motivation over time” and “measuring program effectiveness” remain key challenges.** These were cited as the top challenges by employers with health and wellness programs in both 2007 and 2008.

As employers continue to experiment in ways to improve the health, wellness and productivity of their workforce, incentives are being recognized as an important part of a health management strategy. This solidifies their use as an attractive and cost-effective tool for unlocking the benefits of health, wellness and disease management programs.

Background

The second annual Health2 Resources study of incentive use in health, wellness, and disease management programs was conducted during April and May 2008. The employers surveyed are members of the National Association of Manufacturers (NAM) and the ERISA Industry Council (ERIC).

NAM, ERIC, and IncentOne, a leading provider of incentive solutions for employers, health plans and partners, sponsored this study. The NAM and ERIC members surveyed represents major U.S. employers with a combined total of more than 15 million employees. Respondents represent some of the largest companies in the U.S.; 27 percent of respondents are listed among the Fortune 500.

For more information:

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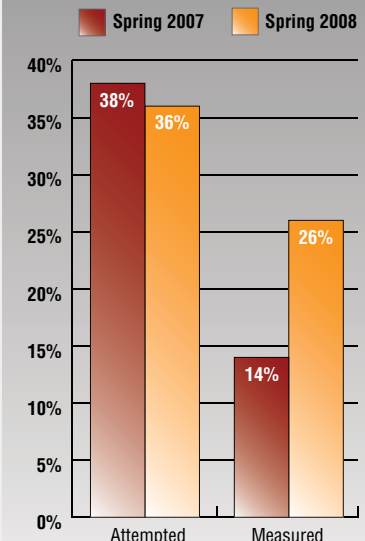
CHART 3.
What Consumer Behaviors Earn Incentives Through Health & Wellness Programs

Behaviors Earning Incentives - 2008 Only	% Using Incentives For Listed Behavior
Participation In Program	48%
Completing a Program	38%
Signing Up For / Enrolling in Program	25%
Achieving Outcomes / Goals During Program	16%
Achieving Outcomes / Goals After Program	12%
Maintaining Outcomes / Goals After Program	6%
Leading Groups to Participate in Program	2%
Recruiting Others Into Program	1%

Source: 2007 and 2008 Spring Surveys of NAM and ERIC membership.
 Note: Percentage is those offering Health and Wellness programs (N=138)

CHART 4.
2008: Measuring ROI, a Growing Percentage of Employers Offering Health & Wellness Programs Have Successfully Measured ROI

Percentage of employers with health and wellness programs who report they have attempted to measure ROI and have successfully measured ROI



Source: 2007 and 2008 Survey of NAM and ERIC membership (N 2008=124; N 2007=78).
 Note: Percentage is of employers with health and wellness programs responding to the question. Thus, in the 2008 survey, 36 percent of employers who have health and wellness programs and responded to the question have attempted to measure ROI and 26 percent have been successful.