Using Incentive Programs
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Incentive programs can be an effective part of a comprehensive wellness strategy. Employers should use incentives to boost participation in health activities that will most effectively support the organization’s wellness goals. Incentives should be positive rewards that increase over time. Incentive programs that tie incentives to clinical outcomes (such as a target BMI level) are not recommended.

The Challenges of Incentive Programs

Low participation can be a key challenge in delivering effective employee wellness programs. In recent years, the use of incentives has gained traction among employers who want to increase engagement in such programs. Because there are so many incentive options, employers are faced with deciding how and when to motivate employees and whether incentives are working and are cost effective.

An incentive can be defined as an anticipated positive or desirable reward designed to influence the performance of an individual or group. Some incentives are positive, such as earning a gift card for completing a health screening. Others are framed negatively as a penalty for not participating. Incentives can take many forms including gift cards, premium contributions, Health Reimbursement Arrangement (HRA) /Health Savings Account (HSA) contributions, rewards points, cash payroll contributions, deductible reduction, raffles, employer perks (e.g., paid time off or dress-down days), and more.

While incentives are popular, they should be used thoughtfully as part of a comprehensive wellness strategy. Employee wellness expert, Ron Goetzel, has said: “Paying individuals to improve their health in an unhealthy work environment is a ‘futile strategy.’” When incentives are overused, workers often expect higher payments each year. They may also view “non-compliance” as a penalty or as coercive, which can affect employee morale. Employees may also mistrust their employer with their health information, which is often needed for administering incentive programs.

A large 2013 survey completed by RAND found that incentives boosted participation in specific health activities by 20 percentage points. Another large survey found an 18 percentage point increase in participation when incentives were used. However, some research has found that offering a well-designed program without incentives is nearly as effective at boosting employee participation rates as incentivizing employees on one-off programs/activities.

What Incentive Amount Should Employers Use?

In addition to when to use an incentive, studies have looked at how much incentive makes a difference. RAND found that incentives of over $50 appear to be effective in getting employees to
take a health risk assessment. A common threshold reported by employer groups is $100. While the size of the incentive does matter, large incentives are not necessarily more effective than smaller ones.

A report by Towers Watson published in July 2010 shows specific incentive amounts that yielded changes in participation for common employee health programs. The report, entitled: “Boosting Wellness Participation Without Breaking the Bank” can be found at: towerswatson.com/research/insider.

Ultimately the incentive amount will depend on an organization’s culture. Employee surveys can help identify the type/amount of incentive that motivates employees. Experimenting with different incentive amounts and evaluating the outcomes can also help determine the right amount for your workplace. Employers should start with a lower incentive and increase the amount over time if participation is not improving or is flattening. Variation in incentive types is important for maintaining interest long term.

Incentives Tied to Clinical Outcomes

Taking the incentive concept one step further, some employers have created wellness programs with incentives tied to health or clinical outcomes. In 2013, RAND found that 10% of employers tie incentives, such as health insurance premium credits, to achieving specific health standards related to BMI, tobacco use, or other biometric results.

Outcomes-based wellness programs require participants to achieve specified health-related goals in order to receive a reward or incentive. This is in contrast to participatory wellness programs that have an incentive based on participation alone.

Employers often use an outcomes-based approach in hopes of promoting greater accountability for health among employees. They also reason that putting dollars on the line will get employees to pay attention to their health and change risky behaviors. While this is intuitive, experience and research have not shown that tying financial incentives to clinical outcomes works. In fact, many employers are opting to discontinue outcomes-based wellness programs because employee feedback is so unfavorable.

A large study recently compared the effect of having no incentive, participation-based incentives, a hybrid model, and outcomes-based incentives\(^5\). The study found that there is no statistically significant difference between incenting for participation or for health outcomes. More frequent communications also did not have an effect. **The authors concluded that employers cannot assume that outcomes-based incentives will work any better in achieving health targets than participation-based incentives.**
Case Study: A Large NC Employer’s Outcomes-Based Incentive Program

A large NC employer launched an outcomes-based incentive program to lower BMI. Employees could earn a discount toward their health care premium by completing a health screening and a health assessment and maintaining a BMI under 28 OR losing 5% of their body weight from their last screening. The company also used wellness challenges such as ‘Biggest Loser’ and Fitbit challenges. Average employee BMI was reduced initially. However, after the first year, annual screening results showed an increasing trend in BMI. After five years of implementing an outcomes-based model, the program was retired because it did not result in changes to health outcomes and employee surveys showed an erosion of trust in wellness programs.

Employers who still want to tie incentives to health outcomes should read the following consensus report Guidance for a Reasonably Designed, Employer-Sponsored Wellness Program Using Outcomes-Based Incentives. See the Where to get more information section for location.

Extensive HIPAA and ACA regulations are in place to guide incentive use by employers. This includes creation of alternate activities if employees are not able to meet the criteria that are needed for the employer’s standard to get the incentive. See the Where to get more information section for details on these standards.

Best Practices for Incentive Programs

Developing a Strategy

Questions to consider when planning an incentive strategy:

- How can you tailor incentives to employee demographics or readiness to change within your organization?
- Should you use a “lottery,” where the employee earns a chance at an incentive, or provide an incentive for anyone who completes activity?
- What is the ideal timing of incentives – at the start, throughout, or at the end of an activity?
- Does the expense of offering incentives cost more than the benefit, even if your employees were to successfully change desired behaviors?
- By offering an incentive, do employers set up a longer-term issue where employees expect payment for wellness activities instead of being driven by intrinsic motivation?

Researchers in behavioral economics are working to answer these questions. In the meantime, employers must carefully plan incentive programs and ensure that their approach fits within the workforce culture.
**Clear Communications**

A necessary key step when considering incentives is to set clear goals for the wellness program and to use realistic approaches to achieve those goals. Planning should include a clear and engaging marketing plan that regularly promotes your wellness benefits, policies and programs. All parts of the wellness program should be promoted, not just those that involve incentives. Create a brand for your wellness program with prominent visuals throughout worksites and on communication materials.

**Tailored Incentives**

Incentives can also be used to promote completion in a specific program among interested and motivated employees. For instance, employers often offer Weight Watchers at Work. As an incentive for achieving specific weight loss goals and for program completion, the employer reimburses enrollment fees. These tailored incentives are typically optional and support employees’ goals.

**Examples of incentive programs used by BCBSNC clients:**

- Tailored diabetes care report card with incentive for preventive tests/care
- Physical activity challenges – incenting participation and winners
- Health screening and assessment completion
- Care management or disease management participation
- Steering employees to lower cost care

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**Recommendations for Getting Started**

1. Implement a comprehensive wellness program that fosters a culture of wellness to maximize employee participation. Using regular, engaging communications to market your wellness programs is critical to success. Incentives can be an effective part of your overall wellness strategy, but should not be the whole strategy.

2. Use incentives to motivate specific behaviors, such as participation in a health assessment, enrolling in a program, or using preventive health services. Financial incentives should not be used to motivate longer-term lifestyle changes.

3. Different incentives should be used each year to maintain interest and engagement. Start with a low incentive and increase the amount incrementally to achieve desired participation levels.
Evaluating an Incentive Program

Employers should create a plan to evaluate whether the incentive program was implemented effectively and if it achieved both employee wellness and financial goals. To protect employee privacy, only aggregate findings should be accessed and shared. Some evaluation measures may include:

- Participation/engagement/retention rates in activities, both overall and broken down by health status and income groups if feasible
- Survey data showing participant satisfaction
- Improvement in targeted health risks and health status factors
- The cost of offering the incentive, factoring whether the cost was worthwhile given the results

If analytics support is available, employers should also track aggregate measures related to the program’s impact on insurance claims/costs, workers’ compensation claims/costs, disability claims/costs, occupational and/or non-occupational absence, and productivity. Because these financial measures are statistically complex, larger employers should consider having independent third party researchers conduct methodologically sound studies.

Where to Get More Information

BCBSNC offers incentive administration for qualified employer groups. For details on how to get started, please contact your BCBSNC client manager or your Health Promotion Specialist.

See the resources below for more information on studies and articles referenced in this paper.

1. Federal laws and regulations place limits on the use of incentives in employee wellness programs. Please consult your legal counsel for more information on your specific circumstances. Additional information about these obligations can be found at: https://www.eeoc.gov/laws/regulations/

