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Making Wellness Programs Work

If Structured Effectively, Wellness Programs Could Just be our Best Bet to Rein in Spending in the Post-healthcare Reform Environment

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The Case for Wellness Programs with Incentives

The recent Healthcare Reform legislation removed many of the mechanisms health plans had in place to control healthcare costs. Unless new payment mechanisms to effect quality and cost are created, the legislation leaves group health plans with few options to impact utilization of services at the point they are needed and rendered. Plans that are serious about controlling costs in this environment must address the root cause of the majority of healthcare expense: poor lifestyle habits that lead to costly chronic conditions. The best way to address poor lifestyle habits is to implement a well-structured wellness program.

Wellness programs – including those to prevent and manage chronic conditions – have not been shown to be universally effective. In fact, research shows they are generally not successful unless tied to a strong communication campaign as well as to financial incentives to entice participation. In Healthcare Management Administrators' (HMA) experience, plans that implement a health risk assessment or coaching program without incentives see 0-10% participation while those that implement incentives of $200 or more can see participation as high as 80%.

Healthcare Reform made it easier to implement incentives that will drive results by increasing the size of incentives that can be used to support wellness programs from 20% - as was written in HIPAA - to 30% of the total plan cost immediately, with the option for the Secretary of Health and Human Services to increase incentives to 50% of the total plan cost in the future. With employee-only coverage averaging about $4,700 per year, this means incentives up to $1,400 per year are possible now. Though most plans have not been that aggressive with incentives to date, with healthcare costs continuing to rise, now may be the time to consider implementing larger incentives so better results are possible.

Implementing Effective Incentives

Beyond size, plans must consider the type of incentive to offer as well as what activity or outcome to incentivize.

In HMA's experience, incentives tied to the health plan such as premium reductions and value-based designs that offer lower out of pocket costs, are, surprisingly, more effective than simply offering cash. Recent research also shows that in some populations offering entry into a drawing for a single high-value item such as a flat screen television (which is less costly than offering each participant an individual financial reward) can also be successful.

Plans must also decide whether to

offer participation-based incentives, which focus on completion of certain activities such as taking a health risk assessment, or outcomes-based incentives, where the reward is based on improvement in health status or achievement of health status goals, such as reaching a desired cholesterol level. Historically, most plans have provided incentives for participation in programs. This is certainly a good place to start, particularly in populations that have not previously been exposed to wellness programs that require they talk to a coach and initiate health improvement efforts. Participation-based incentives are typically perceived as being fair and attainable by plan members because they can be achieved by all including those whose health status is less than optimal. It's important to be aware, however, that because these incentives can be achieved without necessarily achieving health improvement they may be limited in the extent to which they are likely to result in long term behavior change and the associated clinical and financial outcomes one would expect to follow.

Outcomes-based incentives are becoming increasingly popular precisely because they focus on clinical results that tie more directly to lower healthcare costs. Though enticing, outcomes-based incentives pose more challenges to implement. Plans must ensure the incentives are structured so that the requirements are meaningful without being so restrictive members give up altogether. For example, a plan could offer two options for achievement of the outcomes-based incentive: either members reach a pre-set outcomes goal (such as an LDL cholesterol level below 100 mg/dl) or else they show significant improvement towards the goal (such as improving LDL cholesterol level by 10%). Plans must also be cognizant of legal requirements around discrimination prevention and how health outcome data is shared between the plan and wellness vendors. Finally, to ease member anxiety about their health plan having access to so much protected health information, plans must ensure that they effectively communicate efforts being undertaken to protect confidentiality.

At HMA, we are partnering with brokers and health plans to implement wellness programs with a variety of incentives tailored to each plan's specific population and needs. We provide consultative support to help plans develop and

implement wellness strategies that are evidence-based and have the best chance of success.

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