IN THIS ISSUE:
Incentives are about getting people to do things they would not generally otherwise do. Like it or not, people frequently don’t do what will help them stay healthy and live longer. Changing this situation is what this issue of Absolute Advantage is all about.

Each month you can learn more about the articles in Absolute Advantage. Simply log on to WELCOA’s members only website to get more in-depth coverage of the topics that matter most to you. Find full-length interviews, expert insight, and links to additional information that will help you do your job better!
From The Executive Editors

In this issue of *Absolute Advantage*, we’ve partnered with nationally recognized wellness expert, Larry Chapman. As you may know, Larry is the Chairman and Founder of the Summex Corporation, an Indianapolis-based population health management company. In this issue, Larry will provide important information regarding the utilization and design of wellness incentives. And, because this is such an important topic, we’ll actually dedicate the next issue of *Absolute Advantage* to addressing it as well.

With Larry’s 20+ years of expertise on designing effective wellness incentives, in this issue of *Absolute Advantage* we’ll explore why it’s important to use incentives, how to specifically design wellness incentives to maximize impact and, to illustrate this notion, we’ll provide a case study.

I’d like to extend special thanks to Larry for his dedication to the field and his willingness to selflessly share information that can help to advance worksite health promotion.

I hope you enjoy this first of the two-part series dedicated to utilizing wellness incentives.

...incentives are about getting people to do things they would not otherwise do! Like it or not, people frequently don’t do what will help them stay healthy and live longer. Changing this situation is what wellness is fundamentally about.

Yours in good health,

Dr. David Hunnicutt
President, Wellness Councils of America
Welcome

Absolute Advantage is the interactive workplace wellness magazine that helps large and small employers link health and well-being to business outcomes. Absolute Advantage arms business leaders and wellness practitioners with leading-edge workplace wellness information straight from the field’s most respected business and health experts.

With its online component, Absolute Advantage provides the industry’s most current and accurate information. By logging on to the magazine’s interactive website, you can access a whole new world of health promotion—including in-depth interviews with national health promotion experts and insider’s information about industry products.

Subscription Information

For information about subscribing to Absolute Advantage, contact the Wellness Councils of America at 402-827-3590 or via e-mail at wellworkplace@welcoa.org.

Ab sol ute Ad van tage:

When a company can produce more than its competitors—even though they have the same amount of resources—it has an absolute advantage. We believe wellness is that advantage.

Executive Editor, David Hunnicutt, PhD

Dr. Hunnicutt is President of the Wellness Councils of America. As a leader in the field of health promotion, his vision has led to the creation of numerous publications designed to link health promotion objectives to business outcomes.

Vice President of Marketing, Galen Moes

With more than 15 years experience in a Berkshire-Hathaway company, Galen joined WELCOA as Vice President of Marketing and is responsible for developing strategic direction and taking the primary leadership role in marketing all of WELCOA’s products and services throughout the US.

Senior Editor, Mike Perko, PhD

Dr. Perko has significant experience in worksite wellness. Currently the Chair of Health Education at the University of Alabama, Dr. Perko also serves on WELCOA’s Medical Advisory Board and often speaks on behalf of the Wellness Councils of America.

Managing Editor, Brittanie Leffelman, MS

Brittanie is the Director of Operations and manages major writing projects at WELCOA. With a Master’s Degree in Health Promotion, she regularly coordinates national health forums, major grants, and state and local wellness initiatives.

Director for Council Affairs, Kelly Stobbe, MEd

As the Director for Council Affairs, Kelly is responsible for leading WELCOA’s cadre of locally-affiliated wellness Councils. In this capacity, Kelly coordinates the Well Workplace awards initiative as well as the Well City USA community health project.

Director of Design and Technology, Justin Eggspuehler

A 2001 graphic design graduate from Iowa State University, Justin studied design in Rome, Italy before joining the WELCOA design staff. He is responsible for the layout and design of many publications including The Well Workplace newsletter and Absolute Advantage magazine.

Multimedia Designer, Adam Paige

Adam Paige joined WELCOA in early 2005. With corporate experience in design and videography, Adam brings a wealth of talent to WELCOA’s publications. In the capacity of a multimedia designer, Adam contributes to the publications of The Well Workplace newsletter and Absolute Advantage magazine.

Information in this publication is carefully reviewed for accuracy. Questions, comments, or ideas are welcome. Please direct to Dr. David Hunnicutt, Executive Editor, at the address below.

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Let’s face it...incentives are about getting people to do things they would not otherwise do! Like it or not, people frequently don’t do what will help them stay healthy and live longer. Changing this situation is what wellness is fundamentally about. Now...here’s a story about how the prestigious federal agency, the Centers for Disease Control and Prevention (CDC) used incentives to help solve a set of real life health problems of its employees...
Historically, employers have used a variety of strategies to increase exercise and physical activity among workers over the last twenty years. One of the most popular strategies has been the establishment of an on-site fitness center. This strategy has been pursued aggressively by many large employers, particularly for use at corporate headquarter sites. The disadvantages of this approach have generally been its relatively high cost and the mounting evidence that without very active programming the level of use by employees does not appear to be too different than populations that don't have access to on-site facilities. This is the situation where most of the exercisers in a particular work force would exercise anyway if the fitness facility were not located in the workplace. There is some evidence that employers who establish on-site fitness facilities do encourage a small percentage of employees to work out a little more often than they would otherwise, but the big question is how much incremental improvement is associated with the on-site facility. Again, the aggressiveness of programming is still a critical issue in the extent to which non-exercisers begin exercising and continue to do so.

Other strategies used by employers to increase the physical activity levels of employees include sponsoring informal sports leagues, operating recreation centers, allowing the use of flextime for exercise activity and, more recently the use of incentives for physical activity.

Beginning in the mid-eighties, many employers began experimenting with financial incentives where employees receive cash, merchandise or additional benefit dollars based on their personal pursuit of wellness. The preliminary evidence demonstrates that they work but they also require fairly high levels of reward (i.e., $500+) to reach 75% to 85% of employees. With this in mind, the present statutory limitation under federal employment against the use of financial incentives stimulated some “out-of-the-box” thinking from the staff at the Centers for Disease Control and Prevention (CDC) in Atlanta, Georgia.

CDC is the premier federal agency charged with prevention and with the implementation of the Surgeon General's Report on Physical Activity and Health. The prohibition against financial incentives, a concern for employee health and a limited budget for traditional approaches led to the development of the 1996 Director's Physical Activity Challenge. The mission of the Challenge was to honor CDC's 50th Anniversary by promoting regular, moderate physical activity as a demonstration of employees' personal commitment to the CDC prevention mission. Its goals were two fold: 1. to support and encourage CDC employees to move toward the recommendation to accumulate 30 minutes or more of moderate-intensity physical activity on most, preferably all, days of the week, and 2. to create a CDC worksite environment that promotes and supports healthy behaviors among its employees.

The Challenge was based on a 50-day commitment, in which participants set personal goals to increase their physical activity. The program was built around an individual incentive system that rewarded participants with low-cost material prizes who accomplished their goals.
Each person set a goal using a point system, wherein one point was awarded for every 10 minutes of moderate or vigorous physical activity, and participants were asked to project how many points they would accumulate during the 50-day event. Some 145 teams throughout the Agency’s 14 major organizational units were formed with a team captain and between 15 and 30 members. Organizational E-mail was used to publicize and track individual and team performance. After the program was rolled out, 3,740 individuals ultimately entered the program—64% of eligible employees. A surprising 80% of participants reached their physical activity goals.

Each of the major organizational units had a part-time program coordinator and prize drawings for all participants were held shortly after sign-up and again at the half way mark for those who had met one-half of their point goal. Two additional prize drawings were conducted at the end of the program for those who met their goal and another for those who met their point goal and completed an evaluation survey about the program. Competition was also encouraged between major organizational units through the award of plaques for units that had at least 50% of their employees participating and an additional plaque for 75% participation or better. Finally, plaques were awarded for first, second and third place for units with at least 50% participation and the highest percent of employees who met their stated goals.

In addition to a fairly extensive research agenda, the program attempted to increase the stage of readiness to change of all participants in the interests of changing their long-term physical activity behavior.

Along with very high levels of participation and goal attainment, there were a number of significant health related changes. The number of respondents to a simple follow-up survey was 1,607, which constitutes a response rate of 43% of the eligible program participants.

Some of the highlights from the Director’s Physical Activity Challenge survey are highlighted in Figure 1.

The portion of participants reporting “very strong” or “strong” agreement (see Figure 2) with the following statements included:

- Low-cost incentives are feasible to implement.
- Team-based wellness incentives are also feasible to implement.
- A significant portion of eligible employees will participate (64%).
- A large number of teams will participate (145).
- A high percentage of participants met their physical activity goals (80%).
- A large percentage of participants made significant health behavior changes.
- A large percentage of participants reported increased productivity (34%).
- Incentives are an effective tool in catalyzing short-term health behavior change.
- The results are very impressive!

For more information on the Director’s Challenge contact Bruce Leonard at aim2010@bellsouth.net.

Now, let’s explore other ways to use incentives to promote program participation and health behavior change.

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**Figure 1**

<table>
<thead>
<tr>
<th>Accomplishment</th>
<th>% of Participants Reporting</th>
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</thead>
<tbody>
<tr>
<td>Increased fruit and vegetable consumption</td>
<td>35%</td>
</tr>
<tr>
<td>Decreased dietary fat intake</td>
<td>32%</td>
</tr>
<tr>
<td>Reduced calorie intake</td>
<td>24%</td>
</tr>
<tr>
<td>Became more aware of nutrition labels on food</td>
<td>18%</td>
</tr>
<tr>
<td>Acquired new nutrition skills</td>
<td>14%</td>
</tr>
<tr>
<td>Reduced or stopped smoking</td>
<td>3%</td>
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**Figure 2**

<table>
<thead>
<tr>
<th>Statement</th>
<th>% of Participants Reporting</th>
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<tr>
<td>I was motivated by the incentives</td>
<td>86%</td>
</tr>
<tr>
<td>I have increased energy</td>
<td>53%</td>
</tr>
<tr>
<td>I have better control over my weight</td>
<td>40%</td>
</tr>
<tr>
<td>I am able to handle everyday stress more effectively</td>
<td>36%</td>
</tr>
<tr>
<td>I am less depressed</td>
<td>31%</td>
</tr>
<tr>
<td>I am less irritable</td>
<td>33%</td>
</tr>
<tr>
<td>I feel I am more productive on the job</td>
<td>34%</td>
</tr>
<tr>
<td>I have better working relationships with my peers</td>
<td>22%</td>
</tr>
<tr>
<td>I am more able to concentrate</td>
<td>28%</td>
</tr>
<tr>
<td>Exercising with others was motivational</td>
<td>43%</td>
</tr>
<tr>
<td>“Camaraderie” among co-workers related to physical activity improved</td>
<td>40%</td>
</tr>
</tbody>
</table>
1.1 Introduction and Philosophical Position on Incentives

The mission of this issue of *Absolute Advantage* is to help you understand how to design and use incentives in the operation of your employee wellness program and in other facets of your employee benefit program. Incentives are an important part of all effective wellness programs and the broader health cost management (HCM) strategy for an employee work force or members of a managed care plan.

Most of us realize that health behavior is extremely difficult to change. A multitude of factors affect our behavioral choices. Incentives for health behavior change are intended to act as additional inducements to help people initiate and maintain selected health-related behaviors. *Unless individuals in your population can identify real incentives or reasons to change their current health behaviors, they are not likely to change!*

Incentives should be viewed as one aspect of a comprehensive approach to health behavior change in the work place or as part of a health plan or managed care environment. The use of formal incentive systems is a relatively new development in the wellness field and therefore lacks an adequate or clear science base. Incentives can be used to accomplish many different things in the context of a wellness program. Some of the major potential uses for incentives in wellness programs are contained in *Figure 3*.

From a philosophical perspective, incentives are controversial to many people. Jon Robison in the *American Journal of Health Promotion* presents the most cogent concerns for the direct and collateral effects of incentive use in wellness in a commentary. Robison articulates the major problems with incentives which include their tendency to ignore underlying behavioral factors, reinforce only short-term change and potentially undermine internal motivation. Some of these disadvantages are real limitations that are associated with virtually all forms of external reinforcement, wellness incentives being a major example of external reinforcement, but many of these issues can also be significantly ameliorated by careful design and implementation. It is the philosophical position of this issue that the careful design and use of incentives is an important adjunct to employee wellness programming and without them, participation and involvement in wellness programs would be unacceptably low. Incentives offer one additional tool to wellness professionals who are interested in improving short and long-term participation and behavioral adherence in their workplace-affiliated populations or among their health plan or managed care plan membership.

As any tool or innovation is considered, it usually has strengths and weaknesses that need to be fully understood in order to make maximal beneficial use of its potential. Section 2.2 will explore these inherent strengths and weaknesses of incentives in much more depth.

### Key Definitions

- **INCENTIVE**—An anticipated positive or desirable reward designed to influence the performance of an individual or group.
- **DISINCENTIVE**—An anticipated negative or undesirable consequence designed to influence the performance of an individual or group.
- **INCENTIVE FEATURE**—An incentive dimension or element which is attached to another programmatic effort.
- **REWARD**—The perceived category of type of positive or negative reward associated with adherence to or avoidance of a specific behavior.
- **INCENTIVE PROGRAM**—A complete and organized set of incentive features which are designed to stand alone and which work together to influence group or individual behavior.
- **MOTIVE FORCE**—The extent to which an incentive produces behavioral compliance with its requirements.
- **FORMAL INCENTIVE**—Rewards that are communicated openly and directly.
- **INFORMAL INCENTIVE**—Rewards that are not communicated openly and directly.

### Potential Uses For Wellness Incentives

- To promote learning
- To encourage participation in programs
- To encourage improvement in fitness test scores
- To encourage improvement in other test scores
- To encourage changes in health service use behavior
- To encourage compliance with professional health advice
- To encourage initiation and maintenance of specific health behaviors
- To encourage accomplishment of personal health enhancement objectives
Definitions of Incentive Terms

If we accept the premise that most human behavior is purposeful, then incentives can be viewed in a general sense, as offering additional reasons or “purposes” for individuals to change their behaviors in some specific fashion. Some key definitions regarding incentives and their characteristics are in Figure 4.

Most incentives features use positive rewards or inducements. Positive inducements are viewed as desirable and therefore their acquisition is at the core of the motive force that drives the incentive feature or program. On the other hand, disincentives by definition are usually negatively valued by the target population and are to be intentionally avoided. Positive incentives may be broadly referred to as “carrots” and disincentives as negative incentives are commonly viewed as “sticks”.

Usually it is best to utilize “carrots” as much as possible and then if the incentive effect still falls short of expectation or need, to then utilize “sticks” to maximize or achieve the desired effect.

Incentive systems can take a myriad number of forms and modifications, with the only limitations arising from the particular community, workplace circumstances or our own lack of imagination or creativity.

Types of Incentive Rewards

There are a large number of different types of possible incentive rewards that can be used in wellness programming. For our purposes these have been categorized into tangible and intangible. The distinction between tangible and intangible is based on whether the reward has form or substance or is largely an intrinsic or non-material/psychological value to the individual. Tangible rewards usually are connected to concrete, material or easily measurable phenomenon (such as: money, time-off, merchandise goods, coupons for purchase of goods, etc.).

The significance of this framework is that a well-balanced incentive program has both tangible and intangible rewards to help maximize the overall motive force or behavioral strength of the incentive program. A general rule in incentive design is the greater the range of rewards, the greater the motive force as long as the mix of reward types does not become too complicated or difficult to understand for potential participants.

In the following charts, we’ll first deal with the tangible forms of reward highlighted in Figure 5, some typical examples and their respective advantages and disadvantages. Incentive rewards help produce the motive force or behavioral response behind the incentive effect; therefore, they represent a very critical issue in incentive system design. Following that, we will review the intangible forms of reward highlighted in Figure 6 and their respective advantages and disadvantages.

Major Types Of Tangible Incentive Rewards

1. Material or Merchandise Goods and Coupons
2. Immediate Financial Reward
3. Future Financial Reward
4. Avoid Immediate Financial Cost
5. Avoid Future Financial Cost
6. Immediate Time Off
7. Future Time Off
8. Special Privilege or Service
9. Travel Opportunity
10. Ease of Access

Major Types Of Intangible Incentive Rewards

1. Belonging
2. Acceptance or Approval
3. Recognition
4. Newness
5. Mix with Managers
6. Opportunity for Humor, Fun and Lightness
7. Gambling Urge
8. Self-Mastery
9. Creative Outlet
10. Ability to Contribute
11. Be Good Exemplars
12. Meet Personal Challenge
13. Group Competition
## TANGIBLE INCENTIVE REWARDS

### 1. Material or Merchandise Goods and Coupons

**Description:**
This type of incentive reward involves a material or merchandise good or coupon, given for the required action or accomplishment. Material and merchandise goods are some of the most prevalent forms of incentive rewards used by employers in employee wellness and health management programs. Material goods can be used to reward a wide variety of behaviors including: participation, registration, completion, adherence and specific actions.

**Typical Examples:**
Some typical examples of this type of incentive reward are as follows:
- T-shirts with program logo printed on them
- Sweat shirts with program theme printed on them
- Sun visors or pool equipment
- Sweat bands and work out gear
- Thermometers and cold packs
- Gym bags and bath towels
- Drink coolers and drink insulators
- Home fitness equipment
- Calorimetric stress level indicators or dots
- Health board games and books
- Merchandise catalogs, etc.

In considering what kind of material or merchandise goods you would like to use as a reward remember that the above identified items will likely appeal to people who are positive toward wellness and health issues. This tends to make their appeal somewhat limited in most populations. You should also consider offering material goods and or coupons that have general value to those who are not all that positive toward wellness activity. Some of these types of items include:
- Cell phones
- Tool kits
- Emergency road kits
- Car maintenance supplies
- Coffee pitchers
- Flashlight packs
- Scissor kits
- Tools

**Advantages:**
Easy, cheap, very flexible, adaptable to sub-groups, conventional

**Disadvantages:**
Must fit population to be effective, sometimes seen as “gimmicky”, once you have goods then no more motive force, may “cheapen” the program, must handle inventory, distribution, fulfillment and storage problems, sometimes hard to get to remotely located staff.

### 2. Immediate Financial Reward (Cash)

**Description:**
The obvious power of a cash reward is that it can be converted into the goods or services that have the greatest utility to the recipient at the choice of the recipient. This is the primary reason why financial rewards offer the broadest appeal of any incentive reward when people are asked about their preferences. Cash provided to employees by an employer must be considered as taxable income, therefore the actual size of the cash reward may be from 60 percent to 80 percent of the actual cash value of the reward after taxes are taken out. Cash rewards work better when they are immediate and are of sufficient magnitude to catalyze the desired behavioral response. The higher the individual’s income level (or the populations’) the less motive force usually attached to the cash reward. Another dimension of cash rewards is how quickly payment is made and its approximate relationship to the amount of effort required of the participant to qualify for the reward.

**Typical Examples:**
Some examples of this type of incentive reward are:
- $5 bill for completion of a health risk appraisal (HRA) handed to the individual that hands in their HRA
- $25 check attached to the participant’s personal report who completes their HRA
- $10 dollar bill for completion of a wellness screening session
- $300 for completion of eight out of ten wellness criteria
- $1 dollar for each wellness point the individual accumulates
- Up to $250 reimbursement for fitness club membership dues
3. Future Financial Reward

Description:
Future financial reward is very much like the immediate financial reward or cash except that it involves the time value of money. A dollar next year will buy less than one today. Most people know this and value the amount of money involved at a lower level than cash received right now. If the financial reward is to be obtained at the end of a year period or at the end of employment it will therefore have different motive force effects on participants. A $100 at the end of a year will probably create motive force or a behavioral response that would be close to that of a $50 reward provided right now. When considering the use of future financial rewards they usually need to be larger by a factor that matches the rate of general inflation, than immediate financial rewards to have a comparable effect. An additional important issue is the individual’s perceived probability of obtaining the future financial reward. If an individual has a belief that they probably won’t live to an old age, then their value for retirement linked financial rewards will be low. The main characteristic of this type of reward is that the benefit is in the form of cash but it is not received for a period of time.

Typical Examples:
The most typical forms of future financial rewards are cash rewards provided at the end of a 9-12 month program cycle or a rebate that is given at the end of a period of time. Another possible example of this type of reward is to have in place a sick leave policy that allows individuals to accumulate sick leave days that are not utilized and to have those “paid out” when employment ends or to provide a disability pay out amount that is higher if the individual qualifies for the incentive reward. Another variant of this type of incentive reward is to ask participants of multi-session programs to put $50 or $100 in a pool that is rebated back at 6 months or 12 months that are maintaining the behavior change.

Advantages:
The advantage of this type of reward is that it can be used over a longer program period, it can also cost less because of the discounting function of money, it can also be attached to a variety of different areas of employee benefits that are tax neutral. It is also possible to use future financial rewards with larger magnitude than immediate cash rewards.

Disadvantages:
The loss of some motive force occurs because there is a deferred gratification rather than immediate gratification associated with this type of incentive reward. In addition, unless care is taken to avoid taxable events for the participant, it is possible to further diminish the motive force of the financial reward involved.

4. Avoid Immediate Financial Cost

Description:
This type of incentive reward involves the avoidance of what is perceived to be a required cost. The payment of a surcharge or fee that is expected is eliminated with this type of reward. The financial cost can be seen as a disincentive and its avoidance can be seen as a desirable incentive. The immediacy of the avoided financial cost is one of the distinguishing characteristics of this type of incentive reward.

Typical Examples:
An example of this type of incentive reward would be the waiver of a program fee or facility fee due to completion of the required behavior(s). For example, if an HRA is completed it may eliminate the need for a $50 payment for use of a fitness facility. Or attendance at an employee program orientation session may eliminate a co-payment for undergoing a biometric screening process. Another example would be reduction of a $250 deductible to $100 due to having met minimal program participation requirements. Another example might be elimination of a health benefit surcharge for participation in specific program activities.

Advantages:
The advantages of this type of incentive reward are its immediate nature, the impression that the individual is “saving money”, and the flexibility of linking the incentive to various benefits and employee services.

Disadvantages:
The disadvantages are that it is usually associated with short duration behaviors and by its nature is not usually used over time but a one point in time.
## TANGIBLE INCENTIVE REWARDS (cont’d)

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<td><strong>Description:</strong> The avoidance of a future known or unknown cost is the defining characteristic of this type of incentive reward. The magnitude of the cost involved is effected by time value considerations of money. In addition, if the amount of the cost to be avoided is not known at the time that the desired behavior is to be performed it is not likely to have as strong a motive force with the eligible population.</td>
<td><strong>Description:</strong> With this type of incentive reward personal time is provided that can be taken immediately. The personal time can usually be used in any fashion the individual determines. This can translate into free time the day it is provided or additional days that can be scheduled as part of a vacation process. The defining characteristics is that the individual has the option of using the personal or free time immediately if he or she chooses to do so. Depending on the work ethic of the population time off is usually an attractive incentive. This is particularly true with those individuals coming after the Baby Boom generation. The time also has the potential of being added to Earned Time Off (ETO) leave structures which makes it possible to add it to vacation or sick leave depending on the individual’s preferences.</td>
<td><strong>Description:</strong> This type of reward has many of the same advantages and disadvantages of immediate time off but it also suffers from the problem of immediate versus deferred gratification. The motive force is likely to be fairly low if the participant is young and the time off does not occur until retirement.</td>
</tr>
<tr>
<td><strong>Typical Examples:</strong> A very typical form of this incentive reward to provide a partial or full waiver of a payroll contribution for health plan coverage. This can amount to a $400 to $600 annual charge for family health benefit coverage. Another typical example is to provide a known reimbursement level, say $250 a year, for fitness club dues if the average use levels reached a reasonable level, such as an average of 2.5 times per week for the year.</td>
<td><strong>Typical Examples:</strong> Some typical forms of this incentive are to provide a “Well Day” for participation in a wellness program or for completion of an HRA. The Well Day can be taken whenever the individual wants with the approval of their supervisor. Another option would provide a half day of personal leave for completion of a wellness assessment. The individual usually has the freedom to determine when they would like to take the time. Another example might be the use of flextime for exercise activity.</td>
<td><strong>Typical Examples:</strong> A typical example of this type of incentive reward is to provide more sick leave or vacation days to an accrual account for participation in the program. Another option is to expand severance pay features and connect it to completion of an HRA or participation in specific program activities. The award of “well” days for employees who have not submitted any health insurance claims during the benefit year. The provision of additional vacation or administrative leave hours for write-ups of unusual health achievements (i.e. triathlon completion, cross-country bike trips, etc.) or achievement of excellent fitness scores. Provision of employee release time for participation in exercise or wellness program activities.</td>
</tr>
<tr>
<td><strong>Advantages:</strong> This type of reward has some time value advantages to the employer and can fit well with employee benefit design initiatives such as “total compensation”. These rewards also can be made to be very sizable and have very significant amounts of motive force. For example, a $50 per month employee charge for health benefit could be applied to all employees and then if the individual employee and their spouse completes an HRA that monthly surcharge can be waived.</td>
<td><strong>Advantages:</strong> The advantages of this approach is that it is not a “taxable event” and therefore does not lose any value due to taxation. In addition, it appeals to a broad range of employees particularly when it can be taken as part of annual leave. In constructing an ETO system, it is possible to reduce the total number of leave days for whatever purpose and build in the Well Day with virtually no cost to the employer. This can also be a very low cost or no cost incentive reward to the employer.</td>
<td><strong>Advantages:</strong> The advantages are very similar to the previous type of incentive reward.</td>
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<tr>
<td><strong>Disadvantages:</strong> The delay in receipt of the financial reward brings some time value considerations for the money. The magnitude will have to be large enough to create a desired level of motive force.</td>
<td><strong>Disadvantages:</strong> If leave is not valued or if leave levels are already generous, it is not likely to have much motive force as an incentive reward. If employee absence requires a replacement then the cost can be significant.</td>
<td><strong>Disadvantages:</strong> The motive force is likely to be low due to the long lead time before their use of the time.</td>
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**TANGIBLE INCENTIVE REWARDS (cont’d)**

### 8. Special Privilege or Service

**Description:**
This type of incentive reward utilizes any special privilege or special service that employees might desire. This can include: use of a concierge, special parking, tours, purchases in a company store, use of special facilities, buying or discount privileges, or virtually anything else that is desired by your target population that you can obtain at very low cost.

**Typical Examples:**
A popular reward of this type is the provision of special access to a company sponsored restaurant, cafeteria, store or service. Another option is the use of a lottery to help draw rewards of use of a concierge service to run errands during the work day. Designate a “Wellness Employee of the Month” (based on their health improvement accomplishment) and provide them a special parking place. Offer a flextime provision for employees who sign a “contract” agreeing to exercise regularly in exchange for access to flextime. Provision of an extended lunch-hour for those who agree to use the corporate fitness facility or who participate in an after work spinning program. Use of a YMCA exercise facility at a subsidized price for those who complete fitness testing would be another example of a special privilege incentive reward.

**Advantages:**
This can be a very low cost incentive reward and can be very attractive if the organization has some high quality services and benefits for employees.

**Disadvantages:**
If the advantage inherent in the use of the special privilege or service is minor the reward will not generate much motive force.

### 9. Travel Opportunity

**Description:**
Because travel is usually highly valued, flight or cruise coupons can have a very high motive force. The opportunity for free or significantly reduced cost travel is the defining characteristics of this type of incentive reward. This can include travel by plane, train, bus or car. Travel for two individuals is usually preferable to one and open destinations are better than a fixed destination.

**Typical Examples:**
A very typical form of this incentive reward is to offer a lottery that has pairs of airline tickets for anywhere in continental US. These coupons or certificates are usually earned through travel mileage or credit card use. They can also be purchased in bulk from travel wholesalers.

**Advantages:**
This type of reward usually is popular and can offer some “fun” to your program as you highlight what people did with their prize.

**Disadvantages:**
This reward is usually limited to just a few recipients so the motive force is tempered by the perceived odds of actually winning the drawing or lottery. This can lessen considerably the motive force of the incentive program. If only one ticket is rewarded it can create dissatisfaction due to the need to buy the other ticket.

### 10. Ease of Access

**Description:**
Ease of access is a reward when you bring a service or facility closer to the population you want to use it. It is a tangible form of incentive reward and can attract a significant portion of your work force. Putting tangible facilities and services close to your target population is the defining characteristic of this type of incentive reward.

**Typical Examples:**
The most typical example of this incentive reward is to operate a fitness facility at the worksite or to provide on-site massage therapy or to bring various screening tests into the worksite.

**Advantages:**
This can help draw many more people into programming such as by having a fitness facility at the worksite. Depending on how it is done it can sometimes be a less expensive alternative.

**Disadvantages:**
Making something easy to access won’t necessarily lead to high levels of use. It can be very costly if the onsite facilities are under-utilized.
### INTANGIBLE INCENTIVE REWARDS

<table>
<thead>
<tr>
<th>1. Belonging</th>
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#### 1. Belonging

**Description:**
The personal sense of value that is derived from being a part of the program is the primary reward with “belonging.” Though belonging may not be formally communicated to participants, it is usually easily discernible to everyone involved. The reward includes the affiliation with others based on a common purpose or level of achievement. Status is associated with belonging and is valued by participants.

**Typical Examples:**
Visible indications of membership in a fitness program group or YMCA are good examples of this type of reward. The formal use of membership status and receipt of program T-shirts as inducements for participation or accomplishment are two more examples of this kind of incentive. Award of a special sweatshirt for 2 or 3 consecutive years of participation would be another typical example of this type of intangible but powerful incentive reward. Give T-shirts to those who complete a 6-month aerobics class. Provide monogrammed sweats or shirts for fitness program participants. Involve employees in organizing and participating in a community 10K run, and give them a baseball cap or shirt.

**Advantages:**
The major advantage of this type of incentive reward is its low cost and its effect on producing a cultural value for program membership. Also this type of reward can be strengthened by progressively greater achievement levels associated with belonging.

**Disadvantages:**
If belonging has no meaning or status in the perception of participants it will not provide significant motive force. If there is no perceived value in belonging or if belonging becomes a negative by way of affiliation in any way, then it will potentially have the opposite effect and will lead to lower participation or involvement. Also if belonging requires no special effort or significance it is not likely to create much motive force and therefore will not lead to the desired behavioral response.

#### 2. Acceptance or Approval

**Description:**
The distinguishing characteristic of this intangible type of incentive reward is that it is usually seen as a very positive value in the work culture to be involved in the program. This sense of acceptance or approval is usually achieved by frequent positive messages from senior management about their appreciation and the value they place on participation in the program and any specific wellness achievements. The messages given should all reinforce the high value and sense of appreciation and acceptance of participation in the program by those in positions of authority or those who are valued within the work culture.

**Typical Examples:**
A typical example of this type of incentive reward would be formal recognition statements and/or letters or emails by senior management of the value and appreciation for participation and achievements. These can also be special mention or special acknowledgement for wellness achievements. These can be in memos, certificates or mention in an employee newsletter. Provide fitness program membership levels that denote progressively higher fitness levels. Provide special recognition to charter program membership status. Publicly acknowledge unusual health achievements such as participation in a triathlon or the loss of more than 80 pounds of body weight over a year period. Provide a “well day” or a day off as an incentive for employees not using sick leave within a six-month period.

**Advantages:**
This type of reward can help establish strong cultural support for program participation and wellness behaviors. This is a low cost and positive reward option. It also contributes to a positive and healthy work culture and is consistent with many of the messages and values of an organizational development effort.

**Disadvantages:**
If not done carefully it can produce a backlash and engender animosity among those who don’t participate. It can also create animosity among those that dislike or traditionally resist those in authority within a work culture and the statements made by managers can be used as a source of ridicule by detractors.

#### 3. Recognition

**Description:**
The distinguishing characteristic for this incentive reward is that specific individuals are acknowledged and recognized for their achievements. That recognition acknowledges or highlights special accomplishments or special effort and again can communicate the value given to others for their efforts at personal or organizational wellness. Recognition can focus on a very broad set of issues and can be narrow or broadly provided to a work group.

**Typical Examples:**
There are many typical as well as atypical ways of recognizing individuals and groups. Some of the more traditional approaches include: certificates of achievement, award of special material gifts, being singled out for special comments and accolades, being written up in a work publication that acknowledges a special wellness achievement such as: becoming tobacco-free, losing and then maintaining a significant amount of weight loss, participating in a triathlon or marathon, climbing a mountain, completing a long bike trip or sea kayak trip. Use of aerobic points or “mile” charts to track aerobic accomplishments of recreation center teams. Use of write-ups for the substantial health improvements employees make such as weight reduction or cessation of smoking. They frequently include the employee’s processes and struggles, the “personal story” of the accomplishment. Use of novelties with a personal message for participation in runs, awards, walks, etc. Provide framed certificates of achievement, completion or contribution to the program. These recognition activities can be connected to more traditional forms of acknowledgement or be creatively adapted to fit the age and gender characteristics of the larger group involved.

**Advantages:**
Recognition is inexpensive, almost universally appreciated and powerful as a source of motivation. As a type of reward it is fairly easy to perform and is broadly applicable to a large number of settings and circumstances. The key thing in its effectiveness is the perceived sincerity of the acknowledgement and the legitimacy of the value of what the recognition is addressing.
**INTANGIBLE INCENTIVE REWARDS**

**3. Recognition (cont’d)**

**Disadvantages:**
Recognition is given in an insincere manner or for inappropriate actions or effort can produce a negative effect and undermine motive force. The recognition needs to be to the right person or persons for the right reasons at the right time to prevent it from undermining the value of recognition as the source of motivation for action.

**4. Newness**

**Description:**
Newness is simply the opposite of oldness or familiarity. When wellness programs are “new” to a population there is usually an appeal arising out of curiosity. The new thing is done or visited just to find out about it. Most of us like some level of change to bring variety into our lives. Sometimes our desire for change is an effort to avoid boredom or fear of boredom.

**Typical Examples:**
The most typical wellness program example of this type of incentive reward is when we initiate a new program or make a major change to an existing program to create interest and curiosity in the group or population we are trying to reach. Kick-off a new annual session with novel activities and programming. Another option is to change communication methods and styles. Carry out a highly visible campaign that brings new topics and issues to employees. This can take the form of a new name, new process, new program intervention or new incentive feature.

**Advantages:**
The advantage of this type of incentive reward is that it can be created without a lot of cost or difficulty just by adding new elements to an existing program or retooling old methods of programming. Taking a new approach to wellness in the form of new dimensions or issues is another advantage.

**Disadvantages:**
The primary disadvantage is that newness is not always good for its own sake. What was changed to bring a sense of newness to the program may have been important to one set of program users. Newness also has a tendency not to last long and therefore may have a limited range of appeal to participants.

**5. Mix With Managers**

**Description:**
This particular incentive reward involves the participating employees’ ability to meet and talk with supervisors and managers when involved in program provided activity. The value to the employee is knowing and being known by managers that are using the program. These opportunities to mix with managers are seen by employees as positive as long as they have an innate desire to improve their job position and affiliations with those in positions of authority in their work organization.

**Advantages:**
The advantage of this type of reward is that it is an inexpensive and can provide some two way benefit to both employees and managers, particularly those that don’t usually mix with rank and file employees. It is clearly another way for senior managers to support the program and its goals.

**Disadvantages:**
The disadvantage is that not all employees feel comfortable with managers and particularly with senior managers. There also may be situations where an employee may want to use the contact to complain about their own manager which would necessitate the manager involved setting a boundary around the content of any discussions.

**6. Opportunity For Humor**

**Description:**
Work is usually pretty serious and this intangible reward associated with wellness programming is giving permission and approval to offer humor, fun and lightness. The greater the contrast with the seriousness of the work culture the more value will likely be placed on the humor, fun or lightness offered through the wellness program.

**Typical Examples:**
Some very typical examples include providing workshops on humor in the workplace, providing a parody of a healthy approach to life, offering an opportunity for a luncheon comedy video, providing cartoons as part of your approach to wellness, creating a quality of life oriented approach to cultivating a sense of humor. The opportunity to develop or read a mock or humorous health newsletter which may contain satire on the wellness program. Try the development of fictitious fitness characters for a hospital wellness newsletter. Providing a suggested bizarre fitness regime for an employee newsletter. Offering an outlandish nutritious food recipe for posting on bulletin boards. Placing cartoons with a health message on a special area of bulletin boards at work linking it to wellness announcements and changing the cartoons weekly. Attending a wellness training session where the instructor is known to involve high quality humor in each session. Include the use of “new” games at the start of a stress management workshop as an ice breaker or new experience for participants. Have program participants brainstorm from a humorous perspective on a common wellness difficulty. Include a stretch break at a public hearing, corporate meeting or wellness workshop to relieve some of the tension. Use humorous titles on meeting agendas to lighten the topical content up a little.

**Advantages:**
Humor is highly valued by most people and a wonderful anecdote to the seriousness of work life. It attracts people and helps bring them back. It is a positive and popular part of wellness programming.

**Disadvantages:**
Senior management, if unaware of the value of humor in attracting and engaging employees may see this activity as an indication of “fluff” or lack of substance to the program. It may turn-off managers to the value of the program if they don’t see its value as a way to engage and create receptivity for change.
INTANGIBLE INCENTIVE REWARDS (cont’d)

7. Gambling Urge

**Description:**
At the heart of the gambling urge is the desire to win something for nothing or to be found “lucky.” It also is a way to test your luck and your worth by taking a chance at winning. The urge is to somehow test our value at some deeper psychological level. If you “win” your value is visible. If you “lose” there is always next time.

**Typical Examples:**
Hold a “sick leave lottery” where those employees or groups of employees who meet sick-leave goals have an opportunity to win a vacation trip to Hawaii. Hold drawings for various door prizes for attendance at a wellness seminar. Conduct an “Extra Days Off” lottery for those who accomplish personal health objectives from wellness assessments. Offer opportunities for employees to play safety bingo or safety poker as long as there are no lost work-time injuries. Another example would be a Wellness Sweepstakes program where for each wellness-oriented event or accomplishment you got your name into a lottery for a variety of prizes.

**Advantages:**
This incentive reward can add fun and lightness to a wellness program and can significantly enhance participation if done well.

**Disadvantages:**
The disadvantage is that gambling may not be compatible with the work culture and may support unhealthy stereotypes and individuals. Also if significant or sizable rewards are used initially it becomes harder and more expensive to maintain participation using this approach.

8. Self-Mastery

**Description:**
This type of informal or formal incentive reward emphasizes acquiring greater personal control over one’s behavior and helping individuals to increase their personal satisfaction levels by being able to more successfully control basic impulses and behaviors. This reward can be formally acknowledged in program marketing materials in order to attract participants who desire increased levels of self-mastery by participating in the program. It is a more subtle type of pay value.

**Typical Examples:**
Some examples of this incentive reward would include the following: offer a workshop on techniques for increasing self-control of eating impulses. In write-ups for self-esteem workshops emphasize the content of the workshop that addresses techniques for increasing self-control. Integrate the concept of greater self-mastery into the wellness program’s philosophy and goals.

**Advantages:**
The advantage of this incentive reward is that it can potentially have other spill-over effects providing a high level of sustained behavior change over time. Another advantage is that this incentive can be used with a wide variety of different health behaviors.

**Disadvantages:**
This approach places an unrealistic set of expectations on the individual’s role in behavior. It also undercuts some of the group, peer and cultural realities of most major health behavior change.

9. Creative Outlet

**Description:**
The value of this incentive is the provision of an opportunity to express personal creativity during participation or involvement. If the wellness program can provide these opportunities for employees, there are usually many employees who enjoy expressing their creative abilities. This also fits well with a quality of life emphasis in a worksite wellness program.

**Typical Examples:**
Some of the possible examples of this particular type of incentive reward are as follows: conduct a healthy or nutritionally sound recipe contest with a cook-off, then provide the winners with some recognition for their accomplishments. Hold a health limerick-of-the-month contest with the publication and award of a monthly prize. Offer a contest for employees to develop program logos or program themes. Offer a creative writing opportunity for publication in the employee newsletter.

**Advantages:**
The advantages of this particular type of incentive reward are that it is inexpensive to build into a program and that it reinforces more of the quality of life types of issues in programming. Another advantage is that depending on what the creative opportunity involves it can also reinforce a greater sense of ownership and personal connection to the program.

**Disadvantages:**
The major disadvantages of this type of incentive reward is that it is difficult to design and manage. In addition, it can have an adverse impact if it is not carefully implemented if
INTANGIBLE INCENTIVE REWARDS (cont’d)

10. Ability To Contribute

Description:
This reward involves providing the opportunity for employees to make a difference through their involvement. This incentive reward can be used to encourage participant involvement in advising, assisting or mentoring with program activities and can provide a direct reward to those who like to see something change as a result of their personal involvement. A sense of accomplishment usually provides the element of satisfaction or reward under this type of incentive reward.

Typical Examples:
Use of peer leaders or mentors in training sessions. Using an employee team to judge entries in a healthy recipes contest. Use of an employee advisory board to help refine the program’s direction and policies. Use of wellness mentors to provide a peer support opportunity for those who want to successfully make a specific health behavior change.

Advantages:
The primary advantage of this type of incentive reward is that it helps build a stronger cultural affiliation and support for the program. It also has the advantage of being low-cost while increasing the behavioral change effectiveness of a program.

Disadvantages:
The primary disadvantage is that it is often labor intensive to involve a large number of volunteers in a worksite wellness program. The management of the volunteers can become time consuming.

11. Be Good Exemplars

Description:
This intangible incentive reward involves the opportunity to be a role model or good example to others. Exemplars can encourage those who would like to make behavior change as well as have their visibility reinforce the behavior they have already adopted. Good exemplars show us that others can be successful even with very difficult to change lifestyle behaviors. Exemplars provide hope and a sense of the possible.

Typical Examples:
Provide a “spotlight” column in your employee wellness newsletter that would describe individuals who have made a substantial behavior change. Select employees for a wellness advisory committee based on the progress they have made in making health behavior changes. Identify individuals who have successfully made a behavior change as Wellness Mentors and recognize their achievements.

Advantages:
The advantages of this type of incentive reward are its low-cost and cultural enhancement effects. It also can help with compliance for those who are lifted up as successful.

Disadvantages:
The primary disadvantage of this type of incentive reward is that it can work to create undue pressure on the individual that is made into an exemplar and it can have an adverse effect if the exemplar ends up reverting back into the old behavior pattern.

12. Meet Personal Challenge

Description:
The nature of the value of this reward derives from the intrinsic reward associated with successfully overcoming the challenge of a difficult personal accomplishment. This type of incentive reward usually heightens and crystallizes the individual’s understanding of the nature of a specific personal challenge such as finally quitting smoking. This type of reward is typically involved in competitive situations or in situations where the participant is striving for a greater level of accomplishment than they have achieved in the past.

Typical Examples:
Challenge participants to qualify for membership in a “1000 mile club.” Challenge participants to accomplish their own fitness achievement, tobacco use or weight gain or loss goals. Challenge those who are screened to improve their health screening scores. Encourage participation and completion of a triathlon. Get people to think about what personal health and fitness goals are important to them and then stress the reward of meeting that personal challenge.

Advantages:
The advantages of this type of incentive reward are similar to many of the previous intangible rewards. This reward is low-cost, can act as a source of motivation to take a specific action and can lead to exemplary behavior.

Disadvantages:
The disadvantage is that it requires a personalized approach and works better with significant personal contact. It can be labor intensive and can result in an unsuccessful attempt with its often-accompanying discouragement and loss of motivation.
INTANGIBLE INCENTIVE REWARDS (cont’d)

13. Group Competition

Description:
The nature of the value of this type of reward is linked to the common human need for belonging and identity, but this specific incentive involves the coupling of belonging and competition with a desirable team “carrot.” Team building often results from this type of reward particularly if team identity is formally acknowledged throughout the activity.

Typical Examples:
Participate in a corporate cup competition. Enter an YMCA/YWCA team competition for selected sports. Look for opportunities to create competitive teams for fun runs, walking events and other sports activities. Create a departmental competition or challenge cup.

Advantages:
Group or team competition offers an opportunity for people to join together in a pursuit so it therefore can enhance team building efforts. It also can sometimes reach individuals that would not otherwise participate. A work group based team can help build social cohesion and contribute to organizational development objectives.

Disadvantages:
On the down side, group competition if not carefully done, can lead to excesses in pressure put on individuals or in reinforcement of inappropriate behavior, such as use of unwise or dangerous weight loss practices. Group competition can also lead to feelings or expressions of animosity.

In conclusion it is clear that there are many different possible types of incentive rewards that can be used in the same incentive approach. The ability to build several types of incentive rewards into an incentive program will help broaden the motive force of the program and usually lead to much improved results. Later discussion will focus on the relative effectiveness of each type of incentive with different populations.
The advantage of this type of incentive reward (newness) is that it can be created without a lot of cost or difficulty just by adding new elements to an existing program or retooling old methods of programming. Taking a new approach to wellness in the form of new dimensions or issues is another advantage.
Why Use...
If we define wellness in the manner shown in Figure 1 below then it begins to shed some light on why incentives should be a necessary part of all wellness program efforts.

The focus on “voluntary” behavior change at the center of this definition of wellness requires the continual examination of what factors influence behavior change. Voluntary by its very nature means at the volition or choice of the individual. It is not automatic but must continually be selected by an act of will on a moment-by-moment basis. Incentives help to influence this expression of will in behavior change.

The pioneering work of Kurt Lewin and Albert Bandura under the theoretical umbrella of “social learning theory” and the concept of personal “self-efficacy” provides a fairly useful look at the many factors that affect behavior and behavior change. Within social learning theory, each major behavior such as cigarette smoking is seen as having a large number of counter-balancing factors, many factors helping to perpetuate the behavior (“restraining factors”) and other factors having the potential to help change the behavior (“enhancing factors”).

For example, the price of cigarettes to a smoker will serve to perpetuate smoking if it is too low or may encourage cessation if the price goes up substantially. If short-term and ultimately long-term behavior change is to occur and/or continue, it will become increasingly necessary to “unbalance” the set of factors which constrain a healthier behavior change or support the new healthier behavior.

The process of unbalancing requires that we increase the factors that would lead to a chance to a more healthy behavior while eliminating as best we can the factors that help maintain something as unhealthy as tobacco use. Incentives may be seen as one tool for the purposeful modification of those “restraining” versus “enhancing” behavioral factors.

As individuals gain success with modifying these restraining versus enhancing factors, they also increase their “self-efficacy” or confidence in making decisions and taking action to improve their personal health. As the individual gains a sense of confidence in making these behavior changes, he/she gains further efficacy to make new changes. It then becomes a self-reinforcing process.

Behavior is extremely complex and clearly, there are many factors that shape it. From a purely utilitarian perspective the more factors that can be arrayed to support a specific behavior change the more likely that the actual change will be successful over the long haul. These factors are generally categorized as “restraining” or “enhancing” to a desired new behavior. They are conceptually similar to the ways that incentives and disincentives work. In addition to the difficulty of initiating new behaviors, it is extremely difficult to sustain a health behavior change over the long-term.

The behavioral science literature offers a great deal of evidence concerning the difficulty of making long-term behavior changes. Underlying this well-documented conundrum is the reality that the vast majority of human behavior is purposeful in nature. People exhibit particular behavior for distinct and
largely discernible reasons. People likewise usually do not change their behavior without good reasons. Incentives are used to try and offer those “good reasons.”

Health educators, wellness professionals, case managers or health advice line interventionists who are attempting to help people change a specific health-related behavior first need to determine what factors would both aid or impede the adoption of a new behavior. For example, would a cash rebate of 50% of the program fee for 80% attendance of multiple aerobic exercise program sessions help participants attend more of the sessions? In this case, the commitment to consistently attend the aerobic sessions is strengthened through the addition of a potential financial reward.

Likewise, other incentives, such as recognition of a higher level of achievement in the form of a specially designed T-shirt with an appropriate message conveying the accomplishment (i.e. “I Finished the...” or “Superfit”) contribute to greater behavioral adherence for some participants. Program attendance is usually increased by a few additional percentage points with the use of each of these kinds of incentives.

Therefore the main reason wellness programs need to use incentives is that they can increase participation levels by sizable percentages and may help catalyze behavior change that substantially enhances the wellness of the individual, and at the collective level, the wellness of populations.

The key points here are:

- **Wellness is largely voluntary**
- **Voluntary means it requires a continual act of the will**
- **That voluntary behavior is performed for a purpose or set of reasons**
- **Some things help maintain the old behavior**
- **Some things help support the adoption of the new behavior**
- **Incentives can help “unbalance” the status quo and lead to change or help maintain the change**

**Incentives can help increase participation and support healthier behaviors**

Why do incentives work? In a very simple sense they offer something desirable for the individual to gain from performing a specific behavior. They help increase personal utility or give benefit in some fashion. Disincentives work because they provide an opportunity for the individual to avoid something that diminishes their utility or benefit. They both work because they create a reason for a behavior change.

In summary, human behavior in individuals, and collectively in groups, is multi-factorial in nature, and consequently, usually extremely difficult to change through simple or singular interventions without clearly perceived reason(s) for change. Incentives help provide those reasons to change.

Therefore, it is important that we augment wellness program efforts in managed care, community and work-
Incentive use has both advantages and disadvantages. However, careful design of incentive systems can significantly enhance their advantages while substantially minimizing their disadvantages. The main advantages and disadvantages are shown in Figure 2. The potential advantages of using incentives are significant and include:

1. **Incentives can have powerful behavioral effects:** Rewards, singularly or in combination, can provide a powerful motive force for behavior change particularly in our culture where there is a fairly high degree of competition for time, attention and interest. If the desired behavior, the reward(s) and the rules for the incentive system are well designed, it is possible to produce a very powerful and significant change in behavior for a significant percentage of the target population.

Figure 2

### ADVANTAGES AND DISADVANTAGES OF INCENTIVES

#### Advantages

- Powerful behavioral effects
- Very flexible and adaptable
- Easy to set up and operate
- Possible to combine rewards

#### Disadvantages

- Not easy to know “best” reward(s)
- May reward wrong behavior
- May produce “unintended artifacts”
- Possible to outwit
- Possible to create dependency

2. **They are very flexible and adaptable:** Incentives can be designed to fit virtually any situation. Because incentives are essentially decision rules that guide a reward process, they are by definition very flexible and adaptable. For example, the nature of the required behavior, the timing, the record keeping process, the reward and the pay-out procedures are all open to choice in most incentive features.

3. **Incentives are relatively easy to set up and operate:** The development of incentive rules and their application to a particular work group or in a managed care environment can be designed to operate using information which is produced by a pre-existing activity. If incentive features are well designed, they can be implemented with minimal new administrative or data collection effort. For example, a sick leave reduction incentive, such as the award of “well days”, often uses payroll data as its primary informational source. The tabulation of already existing payroll data then drives the incentive program’s operation. However, if there are no information systems currently in place that produce the desired information and its record keeping, new activities may have to be initiated.

4. **They can use a combination of rewards:** Because incentive decision rules are so open and adaptable, it is possible to combine several different kinds of formal and informal incentive rewards into one incentive system. Through the combination of several types of rewards, it is possible to greatly increase the appeal and motive force of the incentive.

In this example, the combination of incentive rewards including: strengthened motivation for attendance, learning, participation levels and sustained weight loss. In this way, it is possible to greatly increase the motive force of an incentive program through the combination of rewards and incentive features.

Disadvantages associated with incentive systems include the following:

1. **It is difficult to identify the “best” rewards:** It is not always easy to identify which rewards or types of incentive rewards will function as effective or salient inducements for behavior change. Some ineffective incentive programs, when examined in more depth, can often be traced to an inappropriate choice of rewards as the primary inducement for the desired behaviors. For example, the use of minimal amount discount coupons to local merchants as the incentive reward for program participation, may not have a significant effect on changing behavior in a relatively highly paid work force. In this example, the incremental value of the coupon when combined with the required behavior to “cash” in the coupon, when compared with the disposable income of the target group would likely work to substantially weaken the strength or motive force of the incentive.

2. **It is possible to reward inappropriate behavior:** If the incentive feature or program is poorly designed the wrong behaviors or inappropriate behaviors can be rewarded. For example, a cash competition that rewards short-term weight loss without any maximum limits on pounds lost per week may cause some participants to use hazardous weight loss techniques and diets to lose the most weight in the shortest period of time, subjecting themselves to the health hazards associated with extreme weight loss techniques.
Clearly, well-designed incentive features should strive to eliminate any inappropriate behavior by modifying the decision rules of the incentive program. In this weight loss incentive contest example, the problem could be solved by limiting the amount of weight to be lost to one or two pounds a week, thereby significantly reducing the reward associated with unhealthy or inappropriate weight loss practices.

3. It is possible to create “unintended artifacts”: It is possible to produce unintended and/or undesirable artifacts from the operation of an incentive feature or program. For example, if the incentive reward for not using sick leave is only given on an “all-or-none” basis (i.e., no sick leave absences during a year) and is highly valued by a work force, it may cause some individuals to come to work with infectious conditions (e.g., upper respiratory infections). These people could end up spreading the illness to many more people than perhaps would have otherwise gotten ill if the individual had stayed home while they were in a contagious state. This is an example of an unintended artifact.

4. It is possible to outwit the incentive rules: If it is possible, some individuals may find a way around the rules established for the incentive program. If there is not a verification process or objective check on actual behavior, some individuals may indicate that they have adhered to the required behavior without actually having done so. This behavior is frequently referred to as “gaming” the incentive feature. For example, if a sun visor is handed out as an incentive for attending a “lunch and learn” educational session at the beginning of the session, the individual who wants the visor, but doesn’t want to attend the full session, will get the visor at the beginning of the session, then leave the session. In a direct
In summary, there are clear benefits as well as potential pitfalls with the design and operation of incentives. A careful design and implementation approach can usually help assure a minimum of disadvantages and a maximum of advantages leading to a behaviorally effective and cost-effective incentive approach.

2.2 Definitions of Incentive Terms

Although there has been significant growth in the use of incentives for wellness there have been few formal assessments of patterns in work-site incentive use. However, there are several more recent surveys that have been conducted by employee benefits consulting firms that examine the use of incentives among samples of employers. The summary results of one of these more recent surveys are highlighted in Figure 3.

Figure 3

<table>
<thead>
<tr>
<th>TYPES OF INCENTIVES USED</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilize wellness incentives</td>
<td>63%</td>
</tr>
<tr>
<td>Cash awards</td>
<td>15%</td>
</tr>
<tr>
<td>Non-cash</td>
<td>26%</td>
</tr>
<tr>
<td>Discounts</td>
<td>22%</td>
</tr>
<tr>
<td>Flex Credits</td>
<td>6%</td>
</tr>
<tr>
<td>Penalties</td>
<td>5%</td>
</tr>
</tbody>
</table>

It is clear that a significant portion of employers utilize incentives to encourage program participation and selected health behaviors and that their work cultures’ appear to be compatible with the use of wellness incentives. A few studies have found their way into the clinical and scientific literature and provide some reference points for assessing the role of incentives in worksite wellness programs.

Within the last four years, three major benchmarking or “best practice” studies have been conducted and all three of these studies have found that the use of incentives for participation are considered as “best practice” elements of worksite wellness programs. These three studies include one by O’Donnell and associates and two by Goetzel and associates.

In terms of the most commonly used incentives, the patterns and trends seem to be associated with the type of program activity that is being incented. There are three major types of programming activity that reflect these different use patterns of incentives. The first major activity is the completion, usually annually of a health risk appraisal (HRA). The pattern here has been to move from an unincented, voluntary approach to HRA completion to the use of continued health benefit eligibility or use of a differential premium contribution for health plan coverage to relatively small, but immediately provided cash rewards $10 to $25. The second type of program activity that is usually incented are on-site program activities or events and usually the pattern has been the use of material goods or merchandise coupon selections for those who participate in programming.

The third type of program activity is the long-term incentive program, sometimes called “wellness achievements” that usually includes overall program participation, completion of biometrics and/or preventive screening tests, attainment of particular biometric achievements (such as a total cholesterol level of less than 200 mg/dl), seat belt use, remaining injury-free, and others. These achievement-oriented wellness incentive programs may have 5 to 12 wellness criteria and offer points that are translatable into reduced health plan premiums or larger amounts in health reimbursement accounts.
The design of really effective incentives is a creative process that applies a number of foundational guidelines within a basic planning process. Below a brief discussion of a program planning process will be presented to help put incentive design into a planning context. But, it should be stressed that a sound incentive design is not enough to assure an effective incentive feature or program. It also requires adhering to a set of operational guidelines as well. In the following section the design and operational guidelines that are associated with maximum effectiveness or “motive force” of incentive programs will be presented. Then a case study involving the design of an incentive program will be used to show how these design and operational guidelines should be applied. Finally, to complete the design process, a programming approach that is structured around a core incentive program will be described.

The process for program planning is highlighted in **Figure 1** below. Its component steps are fairly generic and usually can be found in virtually all program development processes. The sequence, timing and purposes can vary, but the steps remain fairly constant.

The design of wellness incentives for a new wellness program fit within the context of these planning steps. The specific steps that require the most careful attention are usually the assessment of the need and opportunity for incentives. The second area of more concern in the design activity is in the clarification of goals and objectives of the incentive feature or program. The third most important part of the planning effort is usually in the examination of delivery options or details involving the actual operation of the incentive feature or program. The fourth most important component of the incentive planning process is usually in the design and write up of the proposed plan for the incentive program and its evaluation.

It is usually advisable to integrate the planning for an incentive program into the overall program planning and development process. This helps assure a smooth implementation and a well-integrated effort resulting in maximum acceptance and effectiveness of the incentive.

### 3.1 Guidelines for Making Incentives Powerful

In this section, a set of guidelines for maximizing the motive force or behavioral response of incentive programs will be presented. These guidelines are divided into five major categories. The first category are those guidelines that affect the planning process for the incentive feature or program. The second category of guidelines addresses the characteristics of the actual design of the incentive feature or program. The third addresses the methods used for implementing the incentive. The fourth category of guidelines covers the transitional activities between incentive program cycles and the fifth covers evaluation activity. The guidelines, organized among these five categories, are phrased in the form of positive statements or assertions, and the more true the statement is for your situation the more powerful the incentive feature or program is likely to be.

All of these guidelines are designed to increase the effectiveness of incentives.

### Generic Program Planning Steps

1. Mandate for action
2. Research and discovery
3. Needs assessment
4. Development of goals
5. Development of objectives
6. Identify program activities
7. Assess delivery options
8. Estimate likely effect
9. Plan evaluation
10. Draft program proposal
11. Refine draft plan
12. Present to decision-makers
13. Implement program
3.11 Planning Process Guidelines

- Incentives need to be congruent with and supported by the norms of the work culture
- Experience with previous incentive efforts should be positive
- The clearer the desired behavior or effect of the incentive the better
- The purpose for the incentive program is logically supportable
- There is enough time to design and implement the incentive program
  - A simple set of rules needs to be augmented by a more detailed set of operating rules
  - The proposed incentive needs to be tested on potential users before implementation
  - The proposed incentive program should be tested for its ability to be “gamed”
  - The proposed incentive program should be tested for “unintended artifacts”
  - The proposed incentive rules should be tested against the requirements of HIPAA
- An expectation that participants will internalize the desired behavior over time is stated often

3.12 Design Guidelines

- The reward(s) used must be highly valued by the target population
- Market research is used to confirm the types and size of rewards to be used
- The choice of several forms of rewards is better than just one form of reward
- The rewards must be large enough to motivate
- The probability of getting the reward must be reasonable and seen as feasible by participants
- The required behaviors must be seen as simple and easy to do
- The rules must be simple and straightforward
- There are no less than five qualifying behaviors used in a major incentive program
- There are no more than a dozen qualifying behaviors used in the major incentive program
- The benefits to the individual from meeting the behavioral requirements of the incentive should be emphasized
- A “core” or major incentive program can be used over a long period of time and augmented with short-term incentive features
- Care must be taken to avoid negative “unintended artifacts”
- Required behaviors work best if there are several ways of qualifying for each major behavior
- Required behavior or criteria are logically linked to the purpose of the incentive program
- The size of rewards are never reduced over time
3.13 Implementation Guidelines

The basic rules of the incentive must be clear.
The basic rules must be easy to convey and understand.
The incentive program should be strongly endorsed by the most senior manager.
Record keeping requirements should not be onerous.
Use of multiple channels for promotion of the incentive program works better.
Reminders about the incentive program are used frequently.
Reminders as to the individual's status in more complex incentive programs are used at least every six months.
Some reward provided to those who don’t qualify for the big reward (i.e. “nice-trys”)
The reaction of most eligibles to the incentive program should be positive.
The shorter the actual time between the required behavior and the reward the better.
The reward is always provided when and how participants expect it.
Rewards are never eliminated after the qualifying behaviors have been completed.
A variety of “sentinel” features are used to minimize “self-report errors” or gaming.

3.14 Transition Guidelines

Improvements and minor modifications are expected and made each cycle.
The new program is rolled out with some level of fanfare.
The more efficient and accurate the record keeping requirements between cycles the better.
The more accurate the adherence to end and start dates the better.
A little time interval between incentive cycles is often useful.
Emphasis is continually placed on participating and directed at non-participants.

3.15 Evaluation Guidelines

Evaluation of the incentive feature or program is conducted annually.
The behavioral goals of the incentive are clear and make for an easier evaluation process.
A set of metrics that measure various aspects of the incentive's performance are used each year in a consistent manner.
The incentive's economic return is also measured each year.
A formal annual evaluation report is issued each year with recommended program modifications.

3.2 An Incentive Based Program Model

3.21 Brief Description of Program Model

When the conventional or traditional work-site health promotion program model becomes fully-integrated around a core incentive approach, the model can be said to be “incentive-based.” This program model is gaining popularity and will likely continue to do so. In addition to the incentive-based form of the traditional worksite wellness model, there are two other major program models. One is the Quality of Work Life (QoWL) model that provides a focus on enjoyment and fun activities with minimal concern for health improvements or economic return. The other major model is the population health management (PHM) model that is highly proactive, individually targeted and has a strong emphasis on health improvement, health cost management and economic return.

The incentive-based form of the traditional program model has a number of major characteristics identified in Figure 2 on the next page.

3.22 An Example of the Program Model

An example of an incentive-based conventional wellness program would be the Providence Health System-Everett Wellness Challenge®, Program of Everett, WA. This program will also be used as a case study later on.

Developer—The program was developed by the staff of Providence Everett Medical Center (PHS-E), Everett, Washington, and first implemented in 1992.

Program Description—The Wellness Challenge, is an employee, incentive-based wellness program designed to reward employees who meet or achieve eight out of ten wellness criteria during the program year. The criteria over the years have included:

1. Three out of four calendar quarters without an unscheduled leave day
2. Complete a Health Risk Appraisal
3. Attend Wellness at Work educational session
4. No lost work time due to injury
5. Minimum of 75 points from participation in PHS-E fitness program
6. Declaration of seat belt use at all times when in a vehicle
7. Blood pressure below 140/90 mm/Hg at four quarterly measurements during the year
8. Participation in 9 or more wellness program activities
9. No tobacco use in last three months

10. Less than $250 of personal health claims cost (excluding any claims for preventive services)

The program supports participants in reducing modifiable health risks such as elevated blood pressure, overweight status, high cholesterol, smoking, and physical inactivity as well as self-care practices. Employees who achieve the Wellness Challenge, by meeting specific criteria receive a wellness bonus that increases each successive year until a cap is reached ($250 - $400). Those who try, but meet less than 8 criteria are given a token reward to encourage continued participation.

Core Concepts—Employees can be influenced to improve their long-term health status and minimize their utilization of health care resources by being rewarded for improvement. This becomes a win/win situation for the employee and employer. However, a combination of incentives and targeted education is the key to success of a program like the Wellness Challenge.

Major Outcomes—PHS-E has experienced an average program participation rate of 51% over the last 10 years. PHS-E has calculated healthcare cost and sick leave savings for 1992-2001 in excess of $13 million. This has resulted in a 1:6.82 cost benefit ratio for the 10-year program history of this incentive-based program model.

3.23 The Major Attributes of the Program Model

The following are some of the more detailed characteristics or attributes associated with the incentive-based model of traditional wellness programming. The charts on the following pages help to distinguish the major characteristics of this program model among the major dimensions of program strategy, operational methods used and evaluation activity.

The incentive-based program model is an excellent approach to rationalize a conventional worksite wellness program that has become fragmented by too many program activities that have low levels of participation. It is usually a variant on the traditional program model with some elements that bring it closer to the population health management (PHM) program model. The incentive-based program model usually produces more health effects and economic return than the traditional program model, but less than the PHM model.

**Figure 2**

**CHARACTERISTICS OF AN INCENTIVE-BASED TRADITIONAL WELLNESS PROGRAM MODEL**

- Builds on a conventional wellness program model
- Uses a core incentive program as a framework to organize all program activities
- Makes the goal of the program helping each participant earn the incentive reward
- Eliminates program activity that is not connected to the required behavioral activity
- Simplifies the range of wellness issues that the program usually addresses
- Streamlines much of the conventional wellness activity by linking it to the reward
- Keeps the focus of the program positive and emphasizes how to earn the reward
- Usually has a much more effective evaluation process
**Program Strategies**

<table>
<thead>
<tr>
<th>Program Dimension</th>
<th>Attribute</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus</td>
<td>Heavily on incentive program</td>
<td>In the incentive-based program model core incentive programs such as, flex plan wellness credits, direct cash payments, material goods, merchandise coupons, health plan cost sharing offsets, differential premium contributions, differential amounts in a Consumer-Driven Health Plan (CDHP) or gain-sharing program are usually used. Several incentive criteria can be used and the incentive program is seen as a major framework for a strategic approach to the management of health and health behavior for the population involved.</td>
</tr>
<tr>
<td>Mandatory nature</td>
<td>A few mandatory elements are required for participation</td>
<td>The incentive-based model is characterized as including a few mandatory components of programming. These mandatory components can include such things as annual program orientation sessions, involvement in some of the core incentive program features, receipt and completion of health risk appraisals (HRAs), or involvement in benefit use and/or health care use workshops.</td>
</tr>
<tr>
<td>Timing of health effects</td>
<td>Balance of short and long-term health effects</td>
<td>Another characteristic of the incentive-based program model is its use of incentive criteria that provide a balanced approach to short and long-term clinical and behavioral health risks. The long-term factors such as hypertension, elevated cholesterol, lipid imbalances, cardiovascular function, percent body fat, are frequently translated into specific incentive requirements and/or participation requirements. These factors are balanced against criteria that have a short-term impact, such as: seat belt use, smoking and acute pulmonary disease, stress and asthma management, low back injury prevention, etc. The reductions in the incidence and severity of major chronic diseases, such as cardiovascular disease, respiratory disease, and selected cancers, are balanced with the use of wellness requirements that have short-term morbidity impacts and that assure short-term modifications in health service use and costs.</td>
</tr>
<tr>
<td>Use of biometric screening</td>
<td>Heavily emphasized in the criteria</td>
<td>Biometric screening is used in the incentive-based model to enable the individual to meet specific incentive criteria and to qualify for the incentive reward through achievements as well as participation. Health risk appraisals (HRAs) or health surveys collect information that can help the individual qualify for the incentive reward. The biometrics generally function to reinforce the clinical and medical objectives of the program and to help the individual manage their own health more effectively in the context of the criteria used by the incentive program. Actual biometric scores can be used as long as a participation feature is also used.</td>
</tr>
<tr>
<td>Personal plans</td>
<td>Limited use of personal plans</td>
<td>The incentive-based model tends not to use the annual assessment process to help develop a personalized plan for behavior change and health improvement. The primary focus of the program is to help each individual who is participating to reach the maximum incentive reward by accomplishing a series of wellness achievements.</td>
</tr>
<tr>
<td>Prevention emphasis</td>
<td>Heavily oriented to primary and secondary prevention</td>
<td>The prevention emphasis in this program model is usually limited to primary and secondary prevention issues through the criteria and qualifying activities used within the core of the incentive program.</td>
</tr>
<tr>
<td>Integration</td>
<td>Limited</td>
<td>The extent to which interventions are integrated and linked is limited with this program model. The incentive program process has a moderate level of integration, but little effort is usually made to formally link interventions through common mention, referral or reminders.</td>
</tr>
</tbody>
</table>
### Program Dimension | Attribute | Description
--- | --- | ---
**Group education** | Moderately used | The use of group education activities, such as workshops, support groups, and group provision of information are used often and are selectively augmented with other menu-based programming options in the incentive-based model of work-site programming. This method is often linked to a program participation incentive criteria with a significant amount of group education.

**Systems orientation** | Limited | A systems model for change is rarely used in this program model. Multiple intervention points for producing a specific change are not analyzed or included in the program’s design.

**Intervention with high risk** | None | Those individuals with severe single risk factors (i.e., a cholesterol of 390 ml/dl) or those with multiple major health risk factors are not usually targeted or proactively reached under this program model, other than through the selection or choice of the wellness criteria. (i.e., smoking, high blood pressure, low cholesterol, low HDL ratio etc.). High-risk individuals are still expected to voluntarily participate.

**Personalization of communications** | Very little | The incentive-based model usually uses relatively few personalized communications with participants. Most of the communication activity is geared to the mass target population.

**Health care use orientation** | Very limited | The incentive-based model usually provides a very limited focus on medical self-care or consumer health education programming or interventions that are designed to modify health care utilization behavior or to assist people in dealing with symptom-initiated self-care and skills related to improving health care provider relationships.

**Use of stages of change** | Very limited | Very little programming in the incentive-based model typically differentiates participants as to their state of readiness or stage of change.

**Onsite fitness facility emphasis** | Usually weak | Another characteristic of the incentive-based model is the very limited role usually played by a work-site based fitness facility. Under this model, work-site wellness programs may utilize wellness attributes that are linked to use of corporate fitness centers, but they do not have to do so.

**Use of virtual program methods** | Usually limited | The use of virtual program methods including: websites, telephone follow-up, materials on request, audiotape access, home receipt of materials are used very sparingly within this program model.

**Intentional culture change activities** | Very limited | The incentive-based model is also characterized by a very small degree of intentional effort to change the culture of the work organization. Cultural change occurs as a byproduct of the core incentive program but not in an intentional, strategic, or focused manner.

### Program Evaluation Activity

| Scope of evaluation | Fairly broad | Incentive-based work-site wellness programs, due to their measurement and record keeping requirements, can easily provide the data needed to perform effective program evaluation. Important data needed for this process includes: participation patterns, participant satisfaction levels, risk factor prevalence, patterns of changes in individual health habits or clinical test results, achievement of program objectives or collection of anecdotal success stories, change in key organizational economic indicators.

| Economic return | Usually strong | Due to the improved record keeping required of the incentive-based program model it is significantly easier to determine the economic return generated by this type of program model. |
3.3 How to Design Effective Incentive Programs

Incentives that are carefully designed will produce stronger motive force (behavioral response) and therefore greater health effects and economic return. The design process typically has several common steps that will help assure a sound and effective incentive program. These steps are for designing incentive programs for larger populations (i.e., 1,000+ employees) and are highlighted in Figure 4.

3.31 Designing Incentives for Large Populations

Each of the incentive design steps identified in Figure 4 should be used to develop your own approach to the design and use of incentives. Each step will be illustrated through a case example in order to more clearly illustrate how it can be used. The case example used here involves the goal of increasing the level and amount of regular physical activity your population performs. In the example the first step is as follows:

**Figure 4**

**BASIC STEPS FOR DESIGNING AN INCENTIVE PROGRAM**

1. Determine what actions or behaviors you want to increase (or decrease) with the incentive.
2. Research the values that would hinder the adoption of the desired actions or behaviors.
3. Research and then select the formal and informal rewards that are feasible for inclusion in the incentive design while producing the largest behavioral change effect.
4. Develop incentive rules.
5. Examine the draft incentive rules for unintended artifacts.
6. Use a focus group/s of employees picked at random to test the incentive system.
7. Develop and refine a communications plan for the incentive program.
8. Field-test the incentive system.
9. Evaluate the field test, if any is conducted, modify the design and implement organization-wide.
10. Follow-through as planned in the implementation of the incentive program.
11. Periodically, at least annually, evaluate the effects of the incentive system and revise it.

**STEP #1: Determine what actions or behaviors you want to increase (or decrease) with the incentive.**

**COMMENT:** By clearly and specifically identifying the desired action/s or behavior/s you want to accomplish you increase significantly the chances that the incentive system or incentive feature will achieve what it is intended to accomplish. This initial design process should also accompany a clear identification of the target population you want to affect with the incentive as well as the targeted behaviors you would like to change.

**CASE EXAMPLE: Step #1**

For a specific workplace population at a local business you determine that about 1/3 of the employees exercise vigorously three or more times a week or moderately five or more times a week for 30 minutes or more. A national survey indicates that typically 42 percent of a work force is involved in regular vigorous exercise three or more times a week or moderate physical activity for five or more times a week for an average of 30 minutes or more. Therefore, a program objective is adopted to increase those reporting regular vigorous exercise or moderate physical activity to 50 percent of the work force by the time of the next annual survey. The behavior that is the primary focus of the incentive program is regular vigorous or moderate physical activity. The entire population and particularly the current non-exercisers constitute the primary target population for the incentive.

**STEP #2: Research the values that hinder the adoption of the desired actions or behaviors.**

**COMMENT:** The primary focus of this step is to determine what types of values and rewards would have the greatest potential effect on catalyzing those who are not physically active and lead to adoption of the desired behavior by the target population. Basic market research techniques can be used to help accomplish this step. These can include use of focus groups and/or survey research that would reveal why people who aren’t physically active remain that way and what it would take for them to change. The use of focus groups can help identify what are typical reasons why non-exercisers are not physically active and can help develop the content that can be used in subsequent survey instruments to help determine what values and rewards might be used to help catalyze a physical activity behavior change in the target population. Exploratory questions based on other research or survey results can be used to construct survey questions for your population.

**CASE EXAMPLE: Step #2**

After conducting two focus groups with your population you find that the reasons most frequently cited for not
An example of this type of incentive reward (Avoiding Immediate Financial Cost) would be the waiver of a program fee or facility fee due to completion of the required behavior(s). For example, if an HRA is completed it may eliminate the need for a $50 payment for use of a fitness facility. Or attendance at an employee program orientation session may eliminate a co-payment for undergoing a biometric screening process.
being physically active include: not enough time, not knowing where to start, being too lazy, and not having someone to be active with. Using these possible reasons, a survey is developed with a question that asks people why they don’t exercise with these response options. The results of the survey show that 42 percent of the respondents who were not physically active say that if it were possible to exercise at lunchtime they would; another 28 percent say they lack motivation to start on their own. An additional 18 percent say that they don’t exercise because it’s too boring. Some of the major reasons for lack of physical activity are documented as availability of options at lunchtime, lack of support and fear of boredom. These findings set the stage for the design of an incentive program.

**STEP #3: Based on your findings from Step #2, select the formal and informal rewards that are feasible for inclusion in the incentive design that specifically address the major hindrances and will likely produce the largest behavior change effect.**

**COMMENT:** The choice of the program’s design and intervention strategies fit with the incentive design need to address the findings and results from Step #2. The program’s behavior change potential and the incentive feature needs to help overcome the identified hindrances and achieve as much motive force as possible within the limitations of the resources available for the program and for the incentive aspect. An effort should also be made to include program design modifications that build in as many reward dimensions or “pay values” as possible.

For example, by consistently writing up descriptions of people who have made significant health and health behavior changes in an employee newsletter you informally incorporate recognition, approval, self-mastery, personal challenge, good exemplars and personal visibility types of incentive rewards in one program component. Wherever possible it’s a good idea to look at the possible rewards that can be attached to different features of the wellness program. This step also usually includes the process of estimating the amount of resources that will be required by the incentive plan. Assumptions concerning the cost of rewards, the likely rate of winners and the administrative cost associated with the wellness incentive need to also be developed at this time.

**CASE EXAMPLE: Step #3**
Recognizing that development of a fitness center is too expensive, a decision is made to conduct an eight-week fitness contest combined with on-site lunchtime aerobic exercise sessions based on the survey results. This approach utilizes the incentive rewards of access improve-ment, group and individual challenge, and belonging. The fitness contest will include departmental competition with an additional day off for the department with the highest participation rates. Management also approves a policy of flextime for participation. Another incentive reward is incorporated by offering points for individuals that will be totaled for redemption of material goods from a catalog. Participating in the aerobic exercise session at lunch earns double the contest points of other exercise options. The cost of the merchandise incentive is $3,000 with a $5.00 entrance fee to cover all other costs. Existing shower facilities in the main break room will be used. Therefore, the final incentive program includes the rewards of ease of access, group and individual challenge, belonging, and material goods.

**STEP #4: Develop incentive rules for the proposed incentive program.**

**COMMENT:** It is necessary to determine basic rules as to who is eligible, what the reward (or penalty) is, what prevents “winners” from “losers” and the timing and requirements for participants. The basic rules are usually what are given to prospective participants so they need to be fairly simple and straightforward. There may also be some language that describes how the incentive program will be operated. Documentation of the memorable characteristics of the program is important to its success.

**CASE EXAMPLE: Step #4**
Basic rules are developed for the fitness contest and for the aerobics class. A draft employee newsletter article is prepared in order to promote the fitness contest to all employees with a special focus on non-exercisers. The incentive rewards are written into the rules as well as how the program will operate.

**STEP #5: Examine the draft incentive rules for unintended artifacts or undesirable consequences.**

**COMMENT:** Unintended artifacts are defined as by-products of the incentive system that you didn’t plan for and can be counter-productive or undesirable at times. The best approach for determining unintended artifacts is to ask yourself (and others) how you (and they) would react to the proposed incentive: particularly if they wanted to “get around” the purpose of the incentive. If the incentive design leaves an opening or opportunity for the participant to gain the reward by subverting the rules then additional design changes are probably necessary.

For example, if the fitness points are to be awarded based totally on self-report without any other verification process, participants may be dishonest with their
statements regarding the amount of physical activity they have performed. It is probably best to have some verification process or include a co-worker sign-off or establish rules that the results of the incentive contests will be posted in each work unit. These modifications are called “sentinel features” and are there to prevent unintended artifacts from occurring.

Another example would be if you have designed a ten-week weight loss competition and you have not placed any limit on the amount of weight that can be lost each week. Some people could use unhealthy weight loss techniques like dehydration unless you have stipulated that the maximum amount of weight loss per week is 1 or 2 pounds. The opportunity for people to circumvent the rules for the incentive system should be examined early in the program design process by asking how they would “get around” the incentive rules to get the reward.

CASE EXAMPLE: Step #5
The draft set of incentive rules is analyzed for their effect on existing exercisers and non-exercisers by asking the members of the wellness advisory committee and a few others. In these discussions several “loop holes” are identified and eliminated by rewriting the incentive rules. These include rate-of-point accumulation and spread of points earned over time.

STEP #6: Use a focus group(s) of employees picked at random to test the incentive system.

COMMENT: When you hold the focus group(s) show them the draft program materials with a little verbal explanation, have them read the materials and then ask them questions about how they think the incentive system will operate, how it can be outwitted, anticipated employee reaction, possible problems, things that are missing or unclear, and what communication strategies would work best with your target group.

CASE EXAMPLE: Step #6
The draft rules and draft newsletter article are then given to a small focus group composed of representatives from most of the major departments. They read them and are asked a series of questions about their understanding of the program, expected co-worker response to the program, ways to make it better, etc.

STEP #7: Develop and refine a communications plan for the incentive program.

COMMENT: Based on the feedback from the focus group(s), refine the incentive system materials and develop a communications plan including message content, timing, and types of communication vehicles. It is important to communicate using several vehicles and to provide periodic reminders. It usually is a good idea to use at least three different communication vehicles that will likely go to all the eligible population.

CASE EXAMPLE: Step #7
After getting the comments from the focus group, some changes are made in the rules resulting in the addition of points for weight loss, smokeless days and low absenteeism. The employee newsletter article, FAQ sheet and web description and the incentive rules are finalized. A three-month reminder memo is also developed along with a small poster for placement on the back of the doors of all bathroom stalls. Three email reminder messages will also be broadcast at two-week intervals.

STEP #8: Consider field or pilot testing the incentive system.

COMMENT: If your worksite or group is more than a thousand individuals in number you may want to consider carrying out a pilot test of the incentive program with a smaller subsidiary, division or plant. Often you want to do this because it may help you determine if there are any features of the incentive design or its operation that should be modified prior to a full-scale implementation. Pilot testing is also useful in order to win over critics or skeptics. The main drawback is that it delays introduction of the program to the larger population thereby reducing its potentially positive effects.

CASE EXAMPLE: Step #8
A presentation is made to the executive staff and feedback is requested about the need for a pilot test. Those responding thought that the incentive program was well-designed and subsequently recommended that the program be implemented across the entire work group without the use of a pilot test. The suggestion was also made that the promotion of the incentive program would not contain any assurances of a repeat of the program and would communicate a willingness to modify and revise the incentive program based on employee responses.

STEP #9: If one is conducted, evaluate the pilot test, modify the design and implement organization-wide.

COMMENT: If the incentive system has been pilot tested and the results are analyzed, revise the program, if necessary and then carry out full-scale implementation. The pilot program will need to be evaluated for: participation, employee reaction, cost, economic return if appropriate, compliance with the incentive requirements, participant feedback and evaluation of suggestions for improvements or modifications to
strengthen the incentive program. This will likely require a minimum of a year or eighteen months to accomplish. For our case situation no pilot was conducted therefore there is no Case Example: Step #9.

**STEP #10: Follow-through with the full scale implementation of the incentive program.**

**COMMENT:** The ultimate strength of the incentive’s effect, and therefore its success, is directly proportional to the extent to which it is well-designed, incentive rules are well-developed and communicated clearly to the primary target group and the program is implemented in accordance with its rules. This also needs to include periodic reminders and feedback on individual and group performance.

**CASE EXAMPLE: Step #10**
The materials for the wellness contest are distributed to coordinators in April. A reminder email message is issued in early April to all employees with sign-up information and forms. A write-up in the employee newsletter about the wellness contest is placed in the March and April editions of the employee newsletter. A reminder notice is issued again in June. A mid-contest update on departmental contest status is made in July. The number of participants in the wellness contest by department is identified in a bar chart format in the employee newsletter.

**STEP #11: Evaluate the effects of the incentive system and revise your program at least annually.**

**COMMENT:** Clearly identifying the desired target actions or behaviors (i.e., physical activity, ending tobacco use, weight loss, change in eating patterns, etc.) at the beginning of the incentive design process significantly simplifies the evaluation process, because it provides a clear opportunity to track and assess the desired results of the incentive effort. The direct and indirect costs associated with the operation of the incentive system should also be documented and ultimately be compared with the organizational gains from the changes in employee behavior.

The strategies for evaluation of wellness incentive programs are similar to those used in the evaluation of other wellness program components.

**CASE EXAMPLE: Step #11**
The wellness contest is assessed formally by the employee wellness advisory group two weeks after the program’s award ceremony. A few minor changes were suggested and a fall contest was planned. A year from the date of the original wellness interests and activities survey, the same survey is repeated and 67% of employees indicate that they engage in regular vigorous or moderate physical activity. This is a 100% increase in physical activity from the baseline survey. The wellness contest is identified as a primary factor in helping the non-exercisers to become exercisers.

These basic incentive planning steps and the case examples illustrate some of the general requirements and issues that are important to consider in the design of wellness incentive programs for larger organizations.

### 3.32 Designing Incentives for Small and Medium Size Populations

For smaller (i.e., 1,000 individuals) populations, let’s now look at an abbreviated approach to the design of effective wellness incentives. Designing an incentive system requires at a minimum these major components:

1. **The target objective or desired outcome**
2. **The reward/s to be used**
3. **The incentive rules**
4. **The communication plan**
5. **The record keeping component**
6. **The reward process and cycle**

All wellness incentive programs need to have at least these six major components to be effective. Space has been provided after each component for you to write-in your own quick ideas about designing an incentive program for your population.

1. **Target objective or desired outcome:** A successful incentive program must focus its efforts on a limited number of behaviors, actions or changes that will be incented to accomplish individual and population health goals and/or aid in employee benefits cost reduction. The choice of the desired outcomes from the incentive feature must also be clearly articulated within the incentive design and rules.

   **Your target objective or desired outcome:**

2. **Choice of the “reward/s” to be used:** There are a large number of different kinds of rewards that can provide the
motive force for the operation of an incentive feature. Incentive design involves examining the relevance of the rewards to the population that is the intended target of the incentive program and selecting the best combination of rewards. As a basic strategy for the design of incentive systems it is important to research which combination of the “rewards” have the most potential to produce the desired behavioral outcome with the target group and to then efficiently combine those “rewards” into one incentive system.

Your “rewards” to be used:

__________________________________________
__________________________________________
__________________________________________

3. The incentive rules: The incentive rules need to clearly address who is eligible, what actions are required of participants, what conditions or qualifications apply, any applicable time constraints, what record keeping is necessary, the reward involved and details about the reward cycle. These seven areas need to be simple enough for participants to understand quickly and without confusion. The rules need to be examined for any “unintended artifacts” or for ways that they can be “gamed” by participants. Reviewing a draft of the rules with a few employees and asking some pointed questions is one good way to pretest the proposed rules. Some helpful possible questions are:

➢ Do you understand the rules?
➢ What is the reward?
➢ Can you tell me in your own words what the rules say?
➢ Would you participate (attend), etc.?
➢ If so (or, if not) why?
➢ What percentage of people would this appeal to?
➢ What would be a better reward to use?
➢ How would you try and get around the rules?
➢ How do you think people will respond to this program?

Your basic incentive rules:

__________________________________________
__________________________________________
__________________________________________

4. The communication plan: The basic incentive rules need to be written up in a simple and attractive form that can be distributed to the target group. In order to assure that the incentive feature will produce the maximum desired effect, participants need to be reminded about the incentive feature periodically. Initial notification about

the incentive feature should come by way of several sources such as electronic bulletin boards, flyers, staff meeting announcements, newsletter reminders, memos, etc. The communication plan should contain specifics about the content to be communicated, the vehicle or sources to be used and the timing of the communication.

Your communication plan:

__________________________________________
__________________________________________
__________________________________________

5. The record keeping system: In all cases some record keeping is needed as the basis for determining whether the participant qualifies for the reward. These information sources often take the form of workshop registration sheets, follow-up surveys, follow-up mailers, completed stubs, completed feedback charts, diaries and other forms of documentation. Some incentive features such as wellness point competitions require a formal scorekeeper who uses tally sheets submitted in paper or electronic form by participating individuals. Regardless of the type of incentive feature used, some verifiable documentation is useful to resolve disputes and to help document program effects. The record keeping process needs to be as efficient as possible and planned before the incentive program comes online.

Your recordkeeping system:

__________________________________________
__________________________________________
__________________________________________

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6. The reward process and cycle: The reward cycle is the time from the culmination of the final record keeping to the point when the rewards are actually provided to participants. A general rule is that the shorter the reward cycle the stronger the potential incentive motive force effect. The record keeping cycle also needs to be relatively short or reminders will need to be provided to participants periodically in order to keep the incentive strength at its peak. Also the shorter the time period between the actual desired behavior and the provision of the reward, the stronger the incentive motive force effect.

Human resource program managers and wellness program managers need to use a logical process for the design of incentives for wellness activities and health behavior change regardless of the size of the target population involved. The process and the steps for designing formal incentive features in any case, are straightforward and relatively easily mastered.

Your reward process and cycle:

__________________________________________

__________________________________________

3.4 Legal Issues in Wellness Incentive Design

Up until 1996 there were virtually no limitations on the structure, content or design of wellness incentives, except the few random state laws that limited employer’s focus on tobacco use. Consequently this period was marked by a large amount of very diverse experimentation. However, as a partial response to the ill-fated Clinton Health Plan, federal legislators in 1996 passed a omnibus piece of health reform legislation called the Health Insurance Portability and Accountability Act (HIPAA). This piece of federal legislation was signed into law on August 21, 1996 (P.L. 104-191) and affects individual and group health insurance coverage of all kinds for all non-federal employees. Its purpose was to improve the “portability” of health insurance coverage when an employee leaves a particular employer and to prevent inappropriate discrimination against individual beneficiaries by insurance companies and employers. It also included a number of far reaching provisions that affect health claims, data conventions, and privacy of health information.

The legislation amends and modifies three major federal pieces of legislation: the Internal Revenue Service Code, self-administered by the IRS, the Employment Retirement Income Security Act, administered by the Department of Labor and the Public Health Service Act, with the applicable provisions administered by the Centers for Medicare and Medicaid (CMS).

In a general sense, the legislation was intended to help strengthen the integrity of the private health insurance marketplace and to help improve access to health insurance coverage. A worthwhile purpose, but as usual, the devil is in the details. The legislation has now been implemented through a number of issuances of regulations, some proposed, some interim and some final. An overview of all the various components of HIPAA (see the HIPAA At A Glance charts on the following pages) that was published in the May/June, 2002 issue of the Art of Health Promotion Newsletter.

The most important issue to wellness incentive design in this legislation is its provisions that strives to prevent discrimination against insurance beneficiaries arising from the application of a “health status related factor” with the outcome of affecting coverage or cost to the individual under a group or individual health plan. For the purposes of our discussion we’ll refer to this issue as the “incentive limitation provision.”

3.41 The Incentive Limitation Provision

This provision in the Law arose out of a concern that employers and/or insurers were being arbitrary and capricious in their use of health status related factors, such as high cholesterol levels, AIDS infection status, automobile accidents made worse by failure to wear a seat belt or uncontrolled high blood pressure to deny health plan claim expenses or charge some individuals more for their health plan coverage. Congress was concerned that employers were being very unfair in their drive to reduce health plan cost overruns. Some “abuses” were described in Congressional testimony and the legislative process responded with the following language in the Law.

“Section 2702 Prohibiting Discrimination Against Individual Participants and Beneficiaries Based on Health Status.

(a) In Eligibility To Enroll.-

(1) In general. – Subject to paragraph (2), a group health plan, and a health insurance issuer offering group health insurance coverage in connection with a group health plan, may not establish rules for eligibility (including continued eligibility) of any individual enrolled under the terms of the plan based on any of the following health status-related factors in relation to the individual or a dependent of the individual:

(A) Health status

(B) Medical condition (including both physical and mental illnesses)
(C) Claims experience  
(D) Receipt of care  
(E) Medical history  
(F) Genetic information  
(G) Evidence of insurability (including conditions arising out of acts of domestic violence)  
(H) Disability…”

(A similar provision prohibits charging the individual any higher premium for any of these health status-related factors and another part of the Law applies the same prohibitions for all individual health plans.)

At the same time, Congress did not want to stop the many promising efforts to use incentives of various kinds to encourage participation in worksite health promotion or wellness programs so it added the following language to the Law. (Italics added):

“(2) Construction.- Nothing in paragraph (1) shall be construed-
(A) to restrict the amount that an employer may be charged for coverage under a group health plan: or
(B) to prevent a group health plan from establishing premium discounts or rebates or modifying otherwise applicable co-payments or deductibles in return for adherence to programs of health promotion and disease prevention.”

Parallel language again was included in the Law for all individual health insurance plans as well as group plans. This effectively created the need to place parameters or limits around incentives that are to be used with “programs of health promotion and disease prevention.” This was done to prevent these types of incentives from being used to surreptitiously injure or penalize individuals for something that they were perceived to have no control over.

To cut to the chase, the practical implications arising out of this provision in the Law and the most current Notice of Proposed Rulemaking (March 30, 2001) developed cooperatively among the three federal agencies involved include:

- Provide voluntary testing of enrollees for specific health problems, and make personal recommendations, as long as they do not base any reward on the outcome of the health assessment.
- Encourage preventive care through the waiver of the co-payment or deductible requirement for the cost of well-baby visits.
- Reimburse employees for the cost of health club memberships, without regard to any health factors relating to the employees.
- Reimburse employees for the costs of smoking cessation programs, without regard to whether the employee quits smoking.

However, if wellness programs want to provide a reward based on the ability of an individual to meet a standard related to a health factor they will be deemed in violation of the applicable Interim regulations unless they are determined to be a “bona fide wellness program.” To be designated as a “bona fide wellness program” they must adhere to the following four requirements:

First, the total financial reward provided to the individual must be limited to 10%, 15% or 20% of the cost of employee-only health plan coverage. (Editor’s note: The government has asked for feedback on which of these three levels should be included in the final regulations.)
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Second, the program must be reasonably designed to promote good health or prevent disease for individuals in the program. (This means that the individual has to be able to qualify at least once a year for the reward and can qualify by adopting healthier behaviors.)

Third, the reward must be available to all “similarly situated individuals.” (This means that if the required health behavior change is considered “unreasonably difficult” an alternative standard must be made available.)

Fourth, all program descriptive materials must identify that an alternative standard is available.

The regulations are not finalized yet, but are working their way through the revision process for all three federal agencies. For more information go to the websites listed below and reference the respective Federal Register regulations.

www.hcfa.gov 29 CFR Part 2590 RIN 1210-AA77
www.dol.gov 45 CFR Part 146 RIN 0938-AK19

3.42 The Privacy and Confidentiality Provisions

This provision is far reaching in the formality and process requirements that it mandates for the collection, use, and protection of health information. The practical implications for the health promotion practitioner or researcher arising from this provision are:

- The use of aggregate information that does not allow or provide identification of individual data is not subject to the privacy and confidentiality requirements of HIPAA.

- If medical record information, “protected health information” or “individually identified health information” is to be used, the use must be allowable under the applicable regulations or the individual affected must approve its expanded use.

- If “protected health information” is to be used by a health promotion program, the health promotion program must assure that all HIPAA requirements for its storage, security and utilization are fully met.

3.43 The Common Health Identifier Provision

This requirement will likely go into effect in the next several years. When it does, it will require a unique “common health identifier” to be adopted and used for each individual receiving health care (read …health promotion) of any kind. The practical implications are:

- Health risk appraisal information and biometric screening data must use this unique, common health identifier.

- Internal program data systems will need to be organized around and be able to utilize the format of these health identifiers.

- Any claims data or medical record data used or linked to individuals will need to be integrated around the common health identifier.

- One possible solution to this legislative requirement is for the Department of Health & Human Services (DHHS) to mandate the use of each individual’s social security number as their unique common health identifier, however this option has a great deal of controversy around it.

HIPAA certainly represents a very significant legislative initiative for the health care and health promotion industries and its continued implementation will need to be carefully monitored. Readers are also encouraged to actively participate in the regulatory process by submitting comments on proposed regulations as they are published in the Federal Register.

3.44 Key Documents and Regulations

The following are the most important implementing documents for HIPAA:


- Conference Report No. 104-736, April 17, 1996.


Don't accept rising health costs due to poor employee health.

You already know that your high-risk employees consume most of your health care budget.

Those employees want a healthier lifestyle. The right kind of help will get them there.

Our interventions move 35% of your high-risk employees to low-risk status in one year.

We'll show you how.
Designing Wellness Incentives

In this issue of *Absolute Advantage*, we’ve partnered with nationally recognized wellness expert, Larry Chapman. As you may know, Larry is the Chairman and Founder of the Summex Corporation, an Indianapolis-based population health management company. In this issue, Larry will provide important information regarding the utilization and design of wellness incentives. And, because this is such an important topic, we’ll actually dedicate the next issue of *Absolute Advantage* to addressing it as well.

With Larry’s 20+ years of expertise on designing effective wellness incentives, in this issue of *Absolute Advantage* we’ll explore why it’s important to use incentives, how to specifically design wellness incentives to maximize impact and, to illustrate this notion, we’ll provide a case study.

I’d like to extend special thanks to Larry for his dedication to the field and his willingness to selflessly share information that can help to advance worksite health promotion.

I hope you enjoy this first of the two-part series dedicated to utilizing wellness incentives.

Yours in good health,

Dr. David Hunnicutt
President, Wellness Councils of America