



The Wellness Councils of America Presents...

# A WELCOA Expert Interview

# Understanding Wellness Incentives



**Larry Chapman, MPH**  
Chairman and Senior Consultant  
Summex Corporation

*Recently, WELCOA President Dr. David Hunnicutt sat down with  
Larry Chapman, MPH, to discuss the use of incentives in worksite wellness programs.*



## **ABOUT THE WELLNESS COUNCILS OF AMERICA**

The Wellness Councils of America is one of North America's most trusted voices on the topic of worksite wellness. With over a decade of experience, WELCOA is widely recognized and highly regarded for its innovative approach to worksite wellness. Indeed, through their internationally recognized "Well Workplace" awards initiative, WELCOA has helped hundreds of companies transform their corporate cultures and improve the health and well-being of their most valuable asset—their employees.

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# Topics Covered

- Q1:** Cash and cash equivalents, kings of the incentive world
- Q2:** The "tax-advantaged" format
- Q3:** Setting up "tax-advantaged" incentive programs
- Q4:** How incentives can enhance program participation
- Q5:** Cash incentives—how much is enough?
- Q6:** What are the most popular participation incentives?
- Q7:** How incentives for wellness achievement work
- Q8:** Maintaining honesty in a self-report system
- Q9:** Choosing verifiable criteria
- Q10:** How incentives work with HIPAA guidelines
- Q11:** Advice for modifying benefit structures and using incentive programs at the worksite



# Understanding Wellness Incentives

Health promotion and benefits expert Larry Chapman, MPH, answers critical questions surrounding the use of incentives, and details strategies for using them to improve the health and well-being of your workforce.

**Larry Chapman, MPH**  
*Chairman and Senior Consultant*  
*Summex Corporation*

Larry Chapman has spent more than 25 years improving the health of employees and their family members and managing employee health costs. Formally educated in environmental health, medical technology, and medical care organization at UCLA and the University of Michigan, he has developed more than 500 employee health management programs, including more than 100 wellness financial incentive programs. An internationally recognized expert and speaker on innovative health management interventions, he has published 13 books and more than 170 professional articles and columns. A consultant and advisor to the United States Air Force, U.S. Army, Department of Veteran's Affairs, National Institutes of Health and Centers for Disease Control and Prevention, and a variety of private organizations, he is also the editor of The Art of Health Promotion newsletter published by the American Journal of Health Promotion. He now serves as Chairman and Senior Consultant for the Summex Corporation, an Indianapolis-based firm that provides population health management services to employers, hospital systems, and managed care organizations.



## Q1: Larry, in your experience, what are the most effective types of incentives?

**CHAPMAN:** Cash is king. With working populations, usually a cash incentive will draw the highest participation. If the cash incentive can be in a tax-advantaged form, it becomes even more powerful because you won't have to back out any of the normal taxes or government withholdings. Cash in a tax-advantaged form is a tremendous incentive to engage employees in wellness initiatives at the workplace.

## Q2: When you talk about a tax-advantaged format, what does that mean exactly?

**CHAPMAN:** To put cash in a tax-advantaged form usually means that you link it to part of the employee benefit structure. You can link it to things like flex plans, flexible spending accounts, 401k programs, employee stock options, or any kind of consumer-driven health plan that happens to be in place at the company. Probably the most typical way to use a cash incentive in a tax-advantaged form is to offer employees a health insurance premium reduction—a model where

employees pay less for health insurance if they've completed a high risk appraisal and/or participated in some other element of a wellness program.

## Q3: Is setting up tax-advantaged incentive programs a difficult thing for wellness practitioners to do?

**CHAPMAN:** Usually it's not that complicated. Many in the benefits community have either come across this idea, read about it, or know of a colleague who's doing it, so it's pretty easy to put these tax-advantaged, benefit incentives into place. Keep in mind that all the things I just mentioned (401 K plans, premium payments, flexible spending accounts, etc.) are probably set up within the organization anyway and, regardless of whether you have wellness incentives or not, you're still providing the health plan, providing a dollar premium expectation for it, and getting employees to pay for a portion of it.

So, as you can see, many of the nuts and bolts of actually putting these tax-advantaged incentive forms in place are becoming much more ordinary and conventional in the modern workplace. That doesn't mean you'll be able to set something like this up in an afternoon—I suggest that wellness professionals begin to partner with other people, such as benefits managers, in the organization that also



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**David Hunnicutt, PhD**  
**President,**  
**Wellness Councils of America**

David Hunnicutt, PhD, was named President of WELCOA in 1995. Under Dr. Hunnicutt's guidance, WELCOA routinely distributes millions of publications each year to its corporate membership of over 2,500 companies, and over 500 Well Workplaces. These publications are designed to increase quality of life, enhance employee productivity and improve personal health, and well-being.



Known for his pragmatic approach and strong background in organizational development and corporate leadership, Dr. Hunnicutt is widely recognized as a national wellness advocate. By dedicating his professional energies to advancing the cause of corporate wellness, Dr. Hunnicutt consults with hundreds of organizations each year including Merrill Lynch, Caterpillar, and the United Nations to help them link health promotion objectives to business outcomes.

have an interest in helping employees be healthy and productive.

**Q4** • Now that we know a little more about using tax-advantaged incentives, let's talk about implementation. What are employers actually incenting employees to do? Complete an HRA? Participate in a program, Achieve a certain level of wellness?

**CHAPMAN:** Actually all three. Employers will typically offer incentives in three areas, and you just touched on all of them. The first area where employers will typically offer an incentive is for completing a health risk appraisal (HRA). Next, some employers will offer an incentive for participation in wellness programs and activities, and finally, some employers offer an incentive for "wellness achievements,"—basically this means they reward employees for maintaining a level of fitness or participating in programs designed to help them improve at-risk status.

**Q5** • When it comes to these incentives, how much money are we talking about? How much has to be on the table to get a decent participation rate in all three areas—HRA completion, participation, and wellness achievement?

**CHAPMAN:** That's a good question. Let's address each area separately, starting with HRA completion. I should mention first that, before incentives come into play, oftentimes you can get fairly high percentages of an employee work group to complete an HRA if you offer the HRA during an orientation workshop where employees receive a description of the wellness program and what it's intended to do. Some organizations have achieved good participation rates by doing the HRA during this orientation—not offering an incentive at all.

If you can't make the HRA part of employee orientation or the health benefits enrollment/re-enrollment process, then you'll probably want to look at using a premium discount to get a higher percentage of people to complete the HRA. Basically this means that, if an employee completes the HRA, they'll contribute less out of their paychecks to have health plan coverage for themselves and their family. Some organizations have taken this route, reducing contributions several hundred dollars, and they've seen great results with responses in the low 80%.

If an organization doesn't want to use this reduced premium strategy, they might want to try providing a check or coupon to the individual upon their completion of the health risk appraisal. This check usually comes attached to their personal health report. As far as amounts go—



# Using Wellness Incentives

## Your Guide To Using Incentives At The Worksite

If you'd like to learn more about how to use incentives to strengthen your worksite health promotion program, *Using Wellness Incentives*, authored by Larry Chapman, MPH, is an excellent resource.

*Using Wellness Incentives* is a 166 page resource that is designed to help educate wellness practitioners on the most salient aspects of incentives and the most effective ways to implement them in a work place setting.

*Using Wellness Incentives* covers more than 25 different kinds of incentive rewards, both tangible and intangible, and outlines the advantages and disadvantages of many commonly-used incentives.

Using this resource, you can learn how to effectively design incentives for small, medium, and large employers, and well as demystify the legal issues surrounding HIPPA and its provisions regarding privacy, confidentiality and non-discrimination. A detailed case study on Providence Everett Medical Center's Wellness Challenge is also included.

For those organizations looking to link health and wellness to benefit plan design, *Using Wellness Incentives* features a variety of options and alternatives for placing incentives under different kinds of benefit arrangements. Learn how to link incentives to consumer-driven health plans, medical savings accounts, wellness gain sharing, flex plans, flexible spending accounts, well day rewards, combined leave bonus days, sick leave accrual

bonus, time and travel reward systems, safety bingo, and other options.

Finally, *Using Wellness Incentives* allows practitioners to craft their own incentive strategies to streamline and increase the effectiveness of programming efforts. To learn more about this book, or to order it online, visit WELCOA's estore at [www.welcoa.org](http://www.welcoa.org).



we've experimented with everything from \$5 up to \$500. Ultimately we've discovered that \$25 is about the right amount to offer as an incentive. The increase in participation is not dramatically improved by offering more. We have a client, for instance, that have 110,000+ people involved in the HRA, and they have consistently achieved a 65-74% completion rate offering a \$25 incentive.

What it boils down to is that you can expect about two-thirds of your population—maybe a little more—to complete the HRA if you give them a \$25 incentive. You'll always want to remember, though, that, once you put the money on the table, it is very hard to take that money off the table—it's something you'll have to live with in the years ahead.

**Q6** • That's great information on HRA participation. Now, once employees have completed the HRA, what are the most popular ways to then incent them to participate in various wellness programs?

**CHAPMAN:** Really there are two kinds of participation incentives. The first is using merchandise or material goods to incent people to participate in a program—be it a workshop, a lunch-and-learn session, fun run, or any other type of program. The material goods can be anything from program identity-related goods that feature the employer's name, to items that have value to the individual, like an emergency kit for vehicle breakdowns, etc. Usually, if you have a large population, you'll want to do some market research on which goods will be most effective for your population.



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You'll want to make sure the goods you select to use as incentives are valuable to everyone, especially those most at-risk.

The second type of incentive is simply a coupon that has merchandise as its endpoint—meaning the coupon allows the employee to choose a specific piece of merchandise that appeals to them. This type of incentive seems to bring with it a higher degree of "motive force." Motive force is a term that refers to the power of the incentive program to stimulate a behavioral response.

**Q7: Very interesting. So we've covered incentives for both HRA completion as well as program participation. You also mentioned incentives for wellness achievement. What does that entail?**

**CHAPMAN:** Incentives surrounding wellness achievement are somewhat rare, although they are becoming more common in progressive workplaces. These types of incentive programs essentially offer a larger incentive reward for success in continuous and long-running worksite wellness programs. With these programs you can use internally-defined wellness criteria to determine if an

employee is eligible for the incentive—be it cash, a premium reduction, or other form of incentive.

The wellness criteria might be something like wearing (or planning to wear) a seatbelt. It could be tobacco-related, meaning that an employee has (or plans to) quit smoking or using tobacco.

You can also use wellness achievement criteria that are attached to program participation. For instance, you can connect wellness achievement to participation, requiring employees to attend at least three different wellness program events during the year.

There's a lot you can do when it comes to developing criteria for employees to meet in the area of wellness achievement.

I usually tell people that if they're going to use criteria to qualify employees on wellness achievements, they'll want to make the potential reward fairly large. You can do that by putting a "differential tier" into your health insurance premium discount. For example, you might give people a \$300 discount on their health insurance premium contribution if they complete the HRA. Then, at the next "tier," if an employee also meets 8 out of 10 wellness achievement criteria, they can potentially get—instead of just a \$300 discount—a \$600 or \$900 discount. So the ability to create a larger magnitude award is very important when considering wellness achievement incentives.

Here's an important piece—one that is surrounded by some degree of confusion in the field of health promotion. You can use biometric data—things like cholesterol levels, blood pressure, and percent body fat—as criteria in an incentive system, as long as you also allow people to gain the reward by simply participating in the program to meet that requirement.



Basically that means you must place the same value on just participating in the program as you do on actually-meeting the biometric criteria.

“SOME EMPLOYERS MIGHT MAKE MINIMAL SICK LEAVE DAYS ONE OF THEIR CRITERIA FOR WELLNESS ACHIEVEMENT. IF AN EMPLOYEE HAD LESS THAN THREE SICK DAYS DURING THE YEAR, THEY WOULD MEET THE CRITERIA, AND WELLNESS PRACTITIONERS COULD WORK WITH THE PAYROLL DEPARTMENT TO VERIFY THAT.”

**Q8:** What is the best way for the wellness practitioner to verify that employees are actually meeting the wellness criteria? What I’m asking is this: how can practitioners keep employees honest in a self-report system like this?

**CHAPMAN:** First of all, I tell people they shouldn’t plan on verifying every piece of data. Sure, you’ll want to be able to evaluate some things, but you’ll be relying to a great extent, on the honor system. When I mention this to employers, I’ll also talk a little bit about creating a culture where that honor system is sufficient to prevent a large proportion of employees from using the incentive system for personal gain.

There are several ways to do this, but one of the ways is to establish

what I call “sentinel features,”—features that cause people to think, “I’d better not cheat because somebody might find out if I report something that’s less than the truth.” You can do this by requiring that the individual submit a form listing the criteria they met during the incentive period. At the bottom of this form you would include text stating that all items will be reviewed and verified, and if anything is found to be incorrect, the individual will have to return the incentive they received.

**Q9:** In the wellness achievement incentive model, what kinds of criteria would you attempt to verify? Let’s say, out of the ten criteria you pick, three or four would be verifiable—what would those be?

**CHAPMAN:** First, I’d focus on program participation—in essence tracking which employees are attending classes and how many they have attended. That’s pretty simple. You keep a list of the people attending various activities, and refer back to it to verify whether employees reported their attendance accurately.

Next I’d look at physical activity, and require employees to turn in a “playbook” or journal that details their physical activity throughout the course of the program.

There’s an important point I need to mention here. I’d recommend that most employers not worry too much about things like biochemical verification on tobacco use—it’s probably not worth the money and the effort, and the psychological and cultural effects can be negative. I might, however, measure for total cholesterol, HDL or LDL ratios—it’s usually a good idea to have verifiable biometric data on that.



Some employers might make minimal sick leave days one of their criteria for wellness achievement. If an employee had less than three sick days during the year, they would meet the criteria, and wellness practitioners could work with the payroll department to verify that.

Those are some ideas on things you may want to verify, but I always end by noting that employers not attempt to verify everything. Set some patterns so employees understand that you're serious about the program, but in many categories, you're going to have to rely on the honor system.

**Q10** If an employer uses biometric data to evaluate wellness achievement, the first thing that comes to mind is HIPAA. How does HIPAA fit into all of this?

**CHAPMAN:** As I mentioned briefly before, HIPAA does not preclude the use of biometric measures, as long as an individual can attain the same reward through simple participation.

For instance, an employee with a cholesterol level over 200 who participated in a cholesterol reduction program would be treated the same as an employee whose cholesterol level was below 200 and did not participate in the cholesterol reduction program. And it's not just cholesterol—you can use a number of biometric measures like BMI, percent body fat, and blood pressure, too as long as you adhere to the intent of the regulations to allow participation to qualify individuals for the incentive reward.

**Q11** Larry, any final pieces of advice for wellness practitioners as they begin to modify their benefit structures and use incentive programs at the worksite?

**CHAPMAN:** David, I think the final suggestion that I have is simply go slow, plan your approach carefully and don't forget to think creatively about ways to use incentives to make your wellness program more effective in meeting the needs of your population.



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