Companies Spend Big on Wellness Programs

BY ERIK L. GOLDMAN

If you want to see the impact that health care costs have had on corporate America, just take a look at the measures some companies are taking to encourage employee health.

Paid leave, reduced insurance copayments and premium shares, as well as straight cash rewards are among the inducements corporations now offer employees who participate in company-sponsored wellness programs centered on weight loss, smoking cessation, healthy eating, and ongoing management of chronic diseases.

When corporate wellness programs first emerged 2 decades ago, companies hoped that they would be able to woo participants with the promise of better health, and inexpensive gifts like T-shirts, baseball caps, backpacks, emblazoned water bottles and gift cards at the local coffee emporium. But the tchotchke era is over, according to leaders in the field, who spoke at a conference on wellness programs sponsored by the World Research Group.

These days, CEOs who want widespread employee participation in wellness programs are putting real money on the table. The myriad incentive programs now in play, and the size of the rewards—which can reach thousands of dollars per employee per year on top of the basic costs of implementing the wellness programs—underscore the lengths some companies are willing to go to get their people healthy.

The first step in most corporate wellness plans is an employee-completed health risk assessment (HRA), a tool used to identify employees' risk for diabetes, heart disease, cancer and other serious diseases, and to guide nutrition and fitness plans aimed at prevention.

Some companies are offering cash incentives just for completing the HRA. For larger companies, that can become a significant line item.

A WebMD survey of more than 20,000 employees participating in corporate wellness plans at eight U.S. companies shows that when it comes to inducements, employee expectations are high, according to Larry Chapman, senior vice president of WebMD Health Services.

Almost half (49%) of respondents said their preferred incentive was a lower monthly health insurance premium, something Mr. Chapman said more companies are beginning to offer. Thirty-three percent said they preferred cash rewards. Gift cards were favored by 9%, and 1% said that they would respond to logo-imprinted merchandise.

"Premium reductions are the most highly valued incentives by employees, and these incentives should be linked to the open enrollment process whenever possible," Mr. Chapman said.

He added that corporate leaders have learned some hard lessons in their 20 years' experience with wellness plans. For one, they have learned what many physicians could have told them: Most people are not intrinsically motivated to improve their health, and it takes a combination of carrots and sticks.

They also are learning how to create meaningful incentives by listening to their employees' wishes, which usually come down to time and money. Lastly, they are learning that healthy behaviors don't occur in a vacuum, and they don't just happen. They're part of a culture of health that involves community and family outreach.

The challenge for employers, according to Stuart Slutsky, chief marketing officer for Vitality Health Engagement Systems, is to right-size the incentives and link them to behaviors that will ultimately lead to net reductions in overall health care spending. Mr. Slutsky's firm provides wellness programs under contract to large corporations and serves over 1.5 million employees across the globe.

The Vitality program offers employees multiple chances to earn employer-subsidized "Vitality Bucks" that can be redeemed for fitness club memberships, hotel accommodations, airfares, movie passes, sporting goods, home entertainment technology, and more. It's akin to a frequent flyer program: The more an employee engages in ongoing health-promoting practices, the more Vitality Bucks he or she earns.

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The Kellogg Company, as part of an effort to return to its roots as a health and nutrition company, has one of the most comprehensive and proactive corporate wellness programs in the country. Employees have opportunities to shave up to $1,100 per year off their health insurance premiums if they complete an HRA, demonstrate that they are nonsmokers (or participate in a cessation program), and engage in other healthy lifestyle change, according to David Tanis, one of the company's health promotion specialists.

Kellogg's employees have opportunities to earn additional rewards for getting vaccinated against influenza, meeting weight loss goals, participating in health coaching programs, and taking part in company fitness challenges.

Patti Clavier, manager of Intel Corporation's "Health For Life" program, said her company offers employees a $25 American Express gift card for scheduling a health check—getting a quick blood draw and blood-pressure check—and another $75 for completing a thorough online HRA developed by the Mayo Clinic. She estimated that the program costs Intel roughly $4 million per year, just for its U.S. employees. So far the company has not explored the more costly premium-based incentives.

Some companies find that paid time off is even more of an incentive than premium reductions or cash rewards.

"This is particularly true for higher-ranking employees who are already well compensated," said Tanya Lewis-Walls, senior director of UnitedHealth Group's Clinical Solutions wellness program.

Cathy Murphy, vice president of human resources for Blue Shield of California, strongly agreed. Under its new WellVolution program, the insurer offers its employees a day off just for completing an HRA and undergoing some basic biometric testing. Ms. Murphy said 52% of all company employees have now taken advantage of this and credited a 200% increase in participation largely to the day-off incentive.

All that paid leave is no small expenditure for a company the size of the California Blue. She estimated that it cost the company $2 million last year. "It's a big commitment, but it is very important," she said.

Ms. Lewis-Walls of UnitedHealth Group said that employees who achieve healthy weight goals can save their companies as much as $2,500 per year, on average, in reduced medical cost, absences, and lost productivity. Workers who quit smoking can save their bosses up to $3,500.

Still, advocates for corporate wellness programs acknowledge that they can be a tough sell, especially in a down economy. No one would dispute the human benefit of improving worker health. But the hoped-for cost-savings are realized over the long term, and on an aggregate population, while the actual costs of implementing and incentivizing a wellness program are immediate, per-employee, and getting bigger by the year. ■

Blue Cross Says Senate Reform Plan Will Raise Premiums

BY ALICIA AULT

WASHINGTON — A report commissioned by the Blue Cross Blue Shield Association says that if the Senate health reform bill is enacted, individuals buying insurance on the open market will pay 54% more in premiums than they do today.

The analysis comes on the heels of a Congressional Budget Office report that estimated premium costs for individuals and the group market if all the Senate reform proposals were adopted and put into place by the scheduled 2016 implementation date. The CBO estimated that individuals would pay $5,800 a year for premiums, a slight increase from the $5,500 they could expect to pay under current law.

The individual premium, without federal subsidies, would also be about 10%-13% higher than premiums paid by group members under the reform proposal, said the CBO. But the agency estimated that slightly more than half of those individuals would be eligible for federal subsidies. Those individuals would actually pay 56%-59% less than someone in a group would pay, the CBO estimated.

The BlueCross analysis, which was conducted by the actuarial company Oliver Wyman Inc., estimated that individuals would pay $4,561 in annual premiums, or 54% more than they would pay without reform. Small group premiums (for employers with 2 to 50 workers) will be about 20% higher, according to the analysis. Both figures exclude medical inflation, so the increases could be even greater, said Jason Grau, an associate partner at Oliver Wyman and a co-author of the analysis.

The Wyman analysis calculated premiums for the year 2019, a few years after the market had settled into the new law, he said.

The CBO underestimated the effects of adverse selection, which he said was more likely, given that the Senate bill had minimal penalties for those who choose not to purchase insurance. The lack of stiff fines and the elimination of age rating—in which younger, healthier people pay less—means that insurers will have to raise premiums to cover costs for the older, sicker population likely to sign up for policies, said Mr. Grau.

"As the bill stands right now the protections that are in place and the incentives that are in place to encourage healthy people to participate, and to get really broad participation, [are] not at the level that you're going to need to achieve optimal affordability and ensure you that you have high coverage as well," said Mr. Grau.

BCBS Association Senior Vice President Alissa Fox agreed that the Senate needed to figure out another way to encourage the young and healthy to purchase insurance. "The penalties to purchase and obtain coverage are very weak, and because of that, young, healthy people we estimate, are likely—many of them—to forego coverage," said Ms. Fox in an interview.

The insurance organization risked inciting a political backlash by releasing the study in the midst of the Senate's debate, but Ms. Fox and other association officials said they had been in regular contact with the White House about their concerns and that the report was rigorous in its methods and conclusions. ■