

Workplace Wellness



Workplace Wellness: Using Incentives in Wellness Programs

The Need for Incentives

Workplace wellness programs seek to impact risk factors associated with preventable illnesses by promoting healthy lifestyle choices and discouraging behaviors and attitudes that are detrimental to good health. Because lifestyle behaviors are deeply ingrained, making these types of behavioral changes is very difficult and requires discipline and dedication, and it can be difficult to get employees to participate in the program. Educating employees about the benefits of positive lifestyles and the detriments of unhealthy behavior is an important first step. It will take strong motivational forces to get most of your employees to take action. One way to raise and maintain employee interest in wellness programs is to offer incentives. The best incentive program will be easy to administer and cost-effective, and will move employees to take action and sustain positive lifestyle changes over time.

Incentives are widely used in workplace wellness programs because they are easy to understand and administer, can produce significant changes in behavior and can be combined to increase their motivational impact. However, incentives could also reward unhealthy behavior such as fast, dramatic weight loss. Design your incentive program to encourage desirable behaviors while minimizing the possibility of rewarding unhealthy behaviors.

Types of Incentives

Most health promotion programs give something positive to their employees to encourage healthy behavior rather than taking something away. To maximize its perceived value, an incentive should be designed with a high perceived value relative to its cost. Of course, the perception of value will vary from company to company and from one individual to another. An incentive should provide enough in value to motivate participants change now rather than holding out for something better later.

Employer incentives can be based on participation or on a results model. Under the participation model, employers provide the incentive to all individuals in the program just for participating. Under the results model, employers can choose whether to provide the incentive to all individuals who reach a predetermined goal or just to the top performers. Incentives under both models can either be taxable or tax-exempt.

- **Cash and Cash Equivalent Incentives.** Cash and cash equivalent incentives are taxable incentives. These incentives are taxed like bonuses or discretionary employer gifts. For the most part, an employer's liability with

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this type of incentive is limited to the tax implications of giving discretionary, additional compensation to its employees. Some cash and cash equivalent incentives include: cash, bonuses, gifts and gift certificates.

- **Fringe Benefit Incentives.** Independent employee fringe benefits (such as free health risk assessments, employer-sponsored gym memberships, employee discounts and merchandise prizes) are subject to the [rules](#) issued by the Internal Revenue Service (IRS). To make sure these fringe benefits remain independent, employers should not offer them in connection with group health plan benefits. Some examples include: merchandise (water bottles, mugs, shirts, etc.), gym memberships, personal training sessions, employee discounts on employer products, a trophy for the winner or for the winning team, raffle items for the top five participants and a trip to a health spa or a membership at a local fitness center.
- **Public Recognition.** Publically or privately acknowledging an employee's job well done is an effective, and free, way to reward hard work and boost morale. Some examples include: Mentioning employee accomplishments (employee newsletter, email, social media, etc.), presenting trophy and awards and displaying a poster including the winners' names.
- **Group Health Plan Benefit Incentives.** Reductions on group health plan premiums and lower copayment and deductions on group health plans are attractive to employers and employees because they are often non-taxable and they add value to an employee's total compensation. Some group health plan benefit incentives include: additional flex credits for cafeteria plans, additional HSA or HRA contributions, discounts on health insurance premiums and reductions in health insurance copayments. However, the liability for employers that offer employee-benefit incentives is higher than for those offering cash or cash equivalents because of the many federal regulations that determine the eligibility, availability, continuity and privacy of group health plan benefits. While offering employee-benefit incentives for a wellness program is possible, employers should consider whether they are willing to take on additional compliance responsibility. Contact Pacific Group for information of how different federal regulations affect incentives tied to group health plan benefits.

What Behaviors to Reward

Some of the most common behaviors that are rewarded by incentives are completion of health risk assessments, participation in wellness program activities and individual achievements. Health risk assessment completion is generally rewarded because the information that it provides is invaluable to wellness program design and evaluation, and because the more individual participation there is, the more likely the data will be useful and accurate for the employer. Participation in program activities such as nutrition, smoking cessation classes, achievement of specific lifestyle changes (e.g., stop smoking) or biometric accomplishments (e.g., obtaining particular cholesterol, body mass index or blood pressure levels) are often rewarded to encourage continued participation in these programs.

Who to reward is as important as what to reward. Employees often account for less than half of an employer's total health plan. Because of this, improving the health behaviors of employees' spouses and children can also result in significant health care cost savings for the employer. Family members often provide each other with encouragement, motivation and support while participating in wellness activities. To reach all members of your health plan, consider developing educational materials, programs and incentives directed toward the entire family.

Funding

While intangible incentives have a relatively low cost to employers, they do require funding. For employers to experience a positive return on investment (ROI), the cost of incentives must be less than the expected savings the program will produce. Employers are likely to see real savings in the form of fewer health, absenteeism, disability and workers' compensation claims along with improved productivity and employee morale – but keep in mind that most programs take several years to develop a positive ROI. To achieve this positive ROI, it is essential that your workplace health promotion program contains effective incentives that motivate lifestyle changes and improve the health of your employees and their families.