Healthy WorkLife
an online resource for Wellness managers

Employers Getting Tougher with Incentives

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By Mike Cotton, CEO, Alere Health



Surrounded by thousands of people during a recent vacation in Florida, I unfortunately witnessed the reality of the familiar statistic that we all keep hearing about – that two-thirds of Americans are overweight or obese.

As the CEO of a health management company, I am well familiar with the issues surrounding the obesity epidemic, so I was surprised that I felt impacted at the sight of so many overweight people. As I strolled through the theme park with my family, I also was amazed at how many people were unabashedly feasting on the unhealthy foods most associated with high cholesterol, heart disease and diabetes, not to mention obesity.

The experience made me realize how much our culture revolves around food as the pivotal point for fun, recreation, and gatherings, and how important it is for us to change that norm. Unhealthy behaviors are so ingrained in our culture, it's no wonder that the nation's employers – the primary payers of healthcare costs in this country – continue to be challenged with motivating their employees to engage in voluntary wellness programs.

And it's also no wonder that Alere, which is all about behavior change, is continually seeking more innovative and creative ways to engage the populations we serve. As we continue to expand our partnerships with health plans and employers, it is becoming quite evident that an increasingly more popular approach to raise participation in voluntary wellness programs includes the use of incentives.

Employers Turning to Financial Rewards & Penalties

At Alere, we see increasing numbers of employers turning to incentives as a way to entice employees to participate in wellness initiatives. In 2013, 62% of employers are providing financial rewards for employees who participate in health management programs while a growing number (16% presently) are aligning their awards to biometric values like cholesterol and glucose levels, BMI and tobacco use.(1)

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Some of the nation's largest employers are raising the bar even higher on incentives by increasing employee premiums and deductibles if they don't participate in or achieve stated goals of wellness programs, according to a recent article by the *Wall Street Journal (WSJ)*.(2) The article included a number of examples, including Michelin, which charges $1,000 for high blood pressure or large waistlines, and General Electric, which charges $652 for smokers.

As an advocate of incentives that encourage healthy behavior modification, Alere helps clients determine what types of incentives would be most successful in their respective populations because each population is different. Financial rewards won't work in some cultures, and penalties can create more problems than they are worth in other cultures.

According to the WSJ article, Honeywell tried offering a $500 reward for employees considering surgery if they enrolled in a "second opinion" program, but only 20% of eligible employees participated. When Honeywell changed the reward to a $1,000 penalty, enrollment jumped to above 90%. However, at another company where penalties are being imposed, there was an outcry by employees and workers' rights advocates. One employee who was interviewed said he was planning to close out his benefits and look for a job somewhere else.

Wellness Becoming More of a Benefits Program

Increasingly wellness is being viewed as part of the benefits structure, which has not been the case in the past. Desperate to reduce rising healthcare costs, employers are continually coming up with innovative tactics such as:

- Second opinion programs tied to a reward for participation or a penalty for non-participation
- Penalties for not completing the HRA, including fees or limiting the range of benefit plan choices
- Requiring HRA completion to have healthcare coverage
- Charging higher deductibles for out-of-range biometric values
- Tying rewards to improved clinical outcomes

Of course, controversy abounds with regards to some of the more stringent programs. All of those issues will be worked out in time, but it is clear that something must be done to encourage people to become more accountable for their health.

My experience forced me to realize firsthand how many people have yet to fully grasp that they can no longer take their health for granted. Even with all of the awareness generated in the media and elsewhere about obesity, diabetes and heart disease, it appears that there's a powerful collective denial going on in our culture that has to be addressed if we want to improve health and reduce healthcare costs.

We must find a way to lead our culture to healthy behavior change. Healthy lifestyle behaviors should become as natural as brushing our teeth or taking a shower. Incentives, whether via rewards or penalties, may be a way to make that happen.

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(1) 18th Annual Towers Watson/National Business Group on Health Employer Survey on Purchasing Value in Health Care, "Shaping Healthcare: Best Performers Leading the Way," 2013
(2) *Wall Street Journal*, "When Your Boss Makes You Pay for Being Fat," April 5, 2013



About the Author

Mike Cotton became CEO of Alere Health in January 2012. Previously, he joined Alere in September 2010 as president of Alere's Health Improvement Division. With more than 22 years of managed care and healthcare consulting experience, Mr. Cotton came to Alere from WellCare Health Plans, Inc., where he served as President of National Health Plans, overseeing the company's health plan markets, operations, national provider contracting and business development.

Prior to WellCare, Mr. Cotton served as a worldwide partner and market leader for Mercer Human Resources Consulting from October 2001 to December 2005. Before Mercer, he held the positions of president and chief executive officer of Mid-Valley CareNet, a physician hospital organization (PHO) with more than 600 physician members.

Mr. Cotton earned his undergraduate degree from Franklin University and his master's degree in business administration from Cleveland State University.

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