



Promoting Healthy Behaviors:

A Five-year Study on the Impact of Incentives

Whitepaper

PROMOTING HEALTHY BEHAVIORS: A five-year study on the impact of incentives

The health landscape is changing dramatically. Total healthcare spending in the United States comprises around 20 percent of the GDP,¹ yet for all that spending, our nation is not getting healthier. With declining health trends, an aging population, and the growing prevalence of chronic conditions,² healthcare costs continue to escalate for employers and employees.

Because of the growing healthcare cost burden on profitability, employers are increasingly shifting cost to employees. In 2013, AVERAGE employee out-of-pocket costs, such as copayments, coinsurance and deductibles, increased 12.8 percent to \$2,239.³ At the same time, employers seek to slow rising costs and improve productivity through investing in health and wellness initiatives, aiming at engaging employees and their families. Employers have found that incentives can increase engagement with these programs; in fact about 70 percent of employers currently offer some sort of wellness incentive.

But what works?

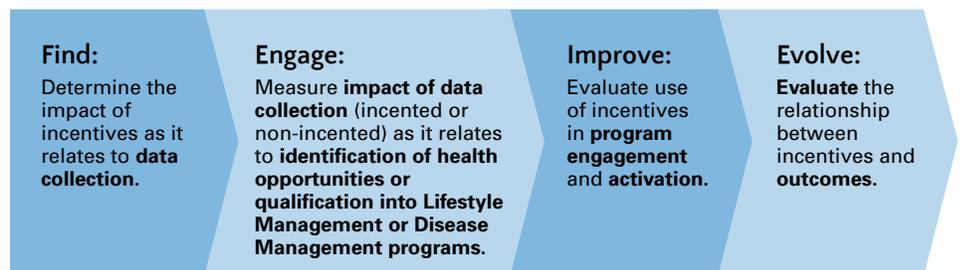
Proof of Value: Studying the Links Between Incentives, Outcomes and ROI

In spite of the increased interest and broad exploration of incentive performance, little research has been done to measure the impact of specific incentive approaches on behavior change and engagement **all the way through** health outcomes. To better understand the relationship between incentives, motivation, behavior change, and outcomes, ActiveHealth Management conducted an in-depth analysis of program data gathered over years of administering incentives for large employers. ActiveHealth® examined the results of various incentive programs to uncover an unprecedented amount of insight related to performance.

ActiveHealth's Incentive Study: 1.9 Million Members

This study was conducted over a period of five years and included 1.9 million members across 25 large employers nationwide. For validity, the study compared outcomes between companies with various incentive designs to the outcomes during time periods when those companies did not offer incentives (available for 1.5 million members).

The research emulated a **population health management approach** with the following objectives:



Comparing Program Designs across the Population

Given the wide variety of incentive designs across these 25 employers, ActiveHealth was able to obtain compelling data about the effectiveness of specific approaches. All clients included in the analysis offered at least one incentive in the form of a "carrot" (positive incentive) or "stick" (negative incentive), and incentives could be tied to various behaviors or targeted health outcomes.

Incentives came in the form of cash, benefit differentials and/or non-financial rewards, such as wellness products, movie tickets and raffles. The most commonly incented activities were completing a

Health Assessment (HA) and/or biometric screening; one-fifth of the employers leveraged this approach to engagement.

Incented program engagement included lifestyle coaching and/or disease management coaching, either through live interactions or online participation. This approach was offered to approximately one-third of all members included in the analysis. Only seven percent of members (two companies) in the study were incented based on an "outcomes-only" approach.

The resulting insights will be useful for organizations looking to make an informed decision about how to design and invest in strategic incentives that improve both program participation and outcomes.

Data Collection and Identification: Impact of Incentives on HA/Biometric Screening Completion

One of the key elements tested during this study was the interdependency between incentives and other levers to change behaviors and health outcomes. For example, without HA or biometric screening, it was projected that many health management opportunities would be missed. This assumption was tested by studying the impact of HA completion on an organization's ability to identify new candidates for disease management and lifestyle coaching programs. Although results varied by program, this analysis found that HA completion had a substantial impact on engagement rates through the increased identification of candidates for health and wellness programs.

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Our results indicate that completion of HAs can have a significant impact on engagement rates through enhanced identification of individuals for program outreach – in particular, lifestyle coaching.

For lifestyle coaching, a member was **44 times** more likely to be identified for coaching after completing a HA. For disease management, the positive influence was not as high, at 1.4 times the baseline rate of engagement. However, the latter group represented higher cost opportunities; as such every interaction was important, both from health and savings perspectives.

Why such a big difference? Candidates for disease management had already incurred claims, indicating risks and opportunities for health improvement ahead of an HA. On the other side, members identified for lifestyle coaching programs, generally in better health, may not have incurred any prior claims. This makes the data collected from the HA more useful for identifying people with early, previously unidentified risks who would benefit from coaching support and management.

These findings have important implications for incentive programs:

- **Incentives improved HA/biometric screening completion:** 18 percent of people filled out an HA without incentives while 63 percent completed an HA when incented, an increase of 250 percent.
- Incenting HA completion **helps identify individuals for program outreach**, particularly for lifestyle coaching.
- While the increase in identification into disease management programs was smaller, the **opportunity to impact health and costs** was greater because of the higher costs typically associated with members who have chronic conditions, creating important downstream potential impact.
- Organizations seeking to identify and engage more members, particularly in lifestyle coaching and support programs, should consider incorporating incentives for HA and/or biometric screening completion.

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Accounting for Member Choice in Plan Design

Members desire choice, but what's ideal? Too many options can confuse or overwhelm members while too few may drive down interest and participation. ActiveHealth's evaluation revealed a range of options produced the greatest impact. Today, many organizations implement narrowly defined incentive plans, likely reducing impact. Companies that offered between six and 11 incentive choices (ways to engage as well as incentives for actions) drove the highest engagement. While this was a wide range, it is important to note organizations will likely achieve more success when offering various options.

Engagement: What Works? The “Carrot” or the “Stick”

There have been countless debates over use of the “carrot” vs. the “stick” and their impact on behavior change. This study assessed the impact of certain types of incentives applied directly to program engagement and participation.

For lifestyle coaching, the “carrot” yielded a 30 percent improvement in engagement vs. the baseline, while the

“stick” decreased results by 40 percent.

The impact for disease management was reversed and magnified.

Individuals were 13 times more likely to engage in disease management programs with a “stick” (vs. baseline); the “carrot” also raised results considerably, but not nearly as high as the “stick.” The data clearly demonstrated important, but varied program engagement based on the type of incentive offered.

Data Collection and Identification of Health Opportunities

ActiveHealth assessed the incentive plan design across the entire population (under the framework of population health management) to determine how many **incremental** health opportunities might have been identified if incentives had been applied broadly, starting with initial engagement. An incremental 19,000 health opportunities were identified across the entire population, representing a four percent increase, which is significant when measured across the entire population.

Carrots and Sticks: Different Programs, Different Impacts

Incentive Impact: Disease Management Program Engagement



Incentive Impact: Wellness Program Engagement



Incentives and Outcomes

Employers increasingly want to understand the connection between incentives and outcomes, which was a critical component in the study. The data demonstrated that adding incentives resulted in an 11 percent improvement in outcomes. Applied to the whole population, that 11 percent equates to 80,744 outcomes that could potentially be improved, which would be significant to any organization.

In regards to outcomes, the “stick” was most successful, representing over three-fourths of those stated outcomes. Because the Affordable Care Act (ACA) allows substantial outcomes-based incentives, employers are increasingly exploring incenting outcomes to help employees improve their health through measures like smoking cessation. The ACA requires members who do not achieve outcome targets to earn the incentive through program engagement, or be excused from the program by their physician. Therefore, to achieve best results, we recommend incenting a broader approach of steps from data collection through engagement, and for mature programs, through outcomes.

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Before implementing an incentive approach, particularly one that incorporates negative incentives, organizations should assess corporate culture and communication strategies carefully to proactively manage employee feedback and buy-in.

Financial Impact

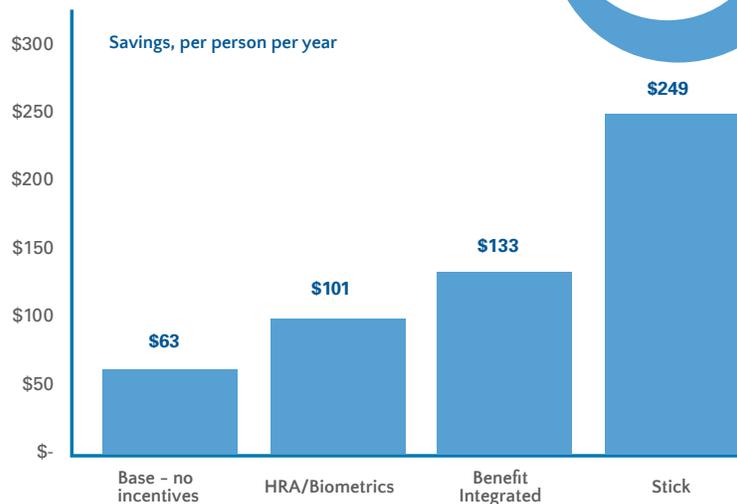
As companies seek to implement incentive programs, several factors should be considered, including the complete financial impact and ROI assessment. To help determine the potential ROI, we applied our Health Economic Model (HEM) to calculate **potential savings** for the various incentive approaches studied. Not surprisingly, the “stick” opportunities yielded the highest savings. The following chart illustrates the potential savings per person, per year based on different incentive applications.

Based on this potential and with organizational culture in mind, organizations should consider implementing an approach that includes HA/biometric incentives as well as a stick-based incentive tied to benefit differentials for maximum ROI.

SAVINGS:

ActiveHealth’s Health Economic Model (HEM) calculates potential savings using established costs associated with care gap closure and measured compliance rates for care gap alerts.

THINK ROI:
PHM programs including incentives are in the \$60 to \$80 range per person.



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Investing in Incentive Programs That Deliver Measurable Results

As organizations continue to evolve their thinking about incentive programs, with measured population health impact in mind, here are a few key areas to consider:

- **Tailored and Phased Incentive Programs:** Consider when and how to use incentives and how to phase in those programs. Some companies might consider a multi-year approach.
- **Choice with Simplicity:** Ensure the incentive program offers choice, but is simple and easy to understand.
- **Culture:** Consider the cultural impact of the incentive program in building a “Culture of Health,” with strong leadership, transparency and a thoughtful communication plan.

- **Incentive Type:** Based on organizational goals and alignment, consider which types of incentives might work best.
- **Measurement:** As with any successful program, measure the impact on identification (members as well as health opportunities), engagement, activation outcomes and ROI.

Organizations willing to explore these new approaches and learn from the experience of their peers have a greater chance of designing incentive programs that deliver the greatest long-term gains. When initiating, optimizing or evaluating incentive programs, it may make sense to leverage expert consultants who can assist with plan development, deployment, phasing and communication. These experts can also provide guidance in determining incentive amounts, evaluation tools and optimization strategies.

To learn more about the study, or understand how incentives could be an effective part of your health and wellness strategy, contact ActiveHealth at info@activehealth.net.

RESOURCES

1. “Trends in the Health Care Cost Growth and the Role of the Affordable Care Act,” The White House, November 2013
2. “Demographics and the Health Status of the US Population; Trends Worth Watching,” American Medical Association, 2013
3. AonHewitt, 2013 Study

