Employer Incentives for Workforce Health and Productivity

Employers tell IBI that they need information and evidence about incentives and disincentives programs to make the business case for their use in improving workforce health and productivity. Several researchers have studied employer use of health-related incentives and disincentives, but little information is available on the goals employers seek from such programs or their effectiveness in meeting those goals. This survey by IBI, with Harris Interactive, of more than 500 employers documents the use of incentives and disincentives to encourage health and productivity for their combined 5 million employees. IBI’s research examines current programs and gives employers much new information about barriers and challenges to implementation, goals employers seek from their programs, which incentives and disincentives are used for which goals, relative effectiveness, the amount spent on programs and what employers would change.

IBI offers help. To help employers use the research findings, IBI formed a Member Solutions Board (MSB) of member experts to suggest how employers can overcome challenges identified in the research. The full Employer Incentives report is the first IBI study to contain such MSB recommendations and resources for employers.

Programs are common. The employer cost burden from health-related lost productivity justifies substantial employer investment in encouraging healthy behaviors and discouraging unhealthy ones. The survey shows that employers understand this, with 73% investing in incentives for healthy, productive employee involvement. Disincentives are used less frequently—19% of respondents include such an approach. Participating employers have an average of 4.8 incentives and 1.7 disincentives. Employers use cash-based and benefits-related strategies for incentives and disincentives most frequently; prizes and gifts are less common, while salary and job disincentives are used by just a few.

Tentative implementation. The study suggests that many employers are in the early stages of implementing these programs and may be focused on the positive because of their corporate culture. Results frequently point to the need for better communication and corporate reinforcement of the importance of health to both the employee and the corporate bottom line. The primary reason employers give in the survey for not having incentives or disincentives is the belief that their corporate culture won’t support them.

Modest goals. Regarding employer goals in offering incentives and disincentives, encouraging employee participation in health and productivity program is most common, at 77%. About two-thirds focus on behavior change, yet only half seek to encourage outcomes. This is further evidence that employers are at early stages in trying out programs that are the least intrusive and where success is easily measured. A focus on outcomes, however, would better serve their bottom-line interests. Also, one would expect some goals to be better served by different types of incentives, but for each of the three goals employers apply the same types of incentives to a similar degree. The MSB suggests a progressive approach to fine-tuning incentives/disincentives and goals.

Most effective offered less often. Employers believe that some incentives and disincentives are more effective than others, but they often fail to use the most effective programs for their workforces. Perhaps that is because they still are experimenting with their programs or don’t believe that their corporate culture will support their use.

Substantial investment. Finally, employers place substantial value on their incentives and disincentives programs. About 50% of respondents value their incentives and disincentives at more than $200 per participant per year, and more than one in five value them at more than $400. One of the challenges employers face is to measure the full results of these programs to justify the expense. The MSB advises employers to justify their programs by measuring results broadly and holding suppliers accountable for results across benefits programs.
Employer Incentives for Workforce Health and Productivity
RESEARCH BY THE INTEGRATED BENEFITS INSTITUTE
Executive Summary

Increasingly, employers are implementing health and productivity initiatives with their employees to gain competitive positions in our global economy. Yet companies are learning that their workforce requires encouragement to engage in such programs and to achieve the health goals employers are promoting. Employers also tell us that one of their main needs is more information about how others use incentives and disincentives to promote a healthy and productive workforce and the relative success of those efforts.

The Integrated Benefits Institute (IBI), along with Harris Interactive (authors of the Harris Poll), surveyed more than 500 employers representing approximately 5 million employees on the incentives and the disincentives they offer to promote a healthy and productive workforce. This report presents the results of that survey.

A key conclusion from this research is that employers often aren’t strategic in connecting the incentives and the disincentives they actually use with their own views about which ones are most effective. Similarly, their most frequent program goal is to encourage employee participation in health and productivity programs instead of seeking improved health-related outcomes, a target far more important to their bottom-line needs.

In a new step to help employers improve their strategic response to our research results, IBI invited experts from its member companies to offer employers advice about the challenges, disconnects and obstacles identified in the study. The advice from this Member Solutions Board is summarized on pages 2 and 3, and detailed beginning on page 25 of this report.

Going forward, we will establish a similar Member Solutions Board for each IBI research report as a way to show employers how to use the research findings in a pragmatic, effective manner. IBI thanks the following members of this Member Solutions Board: Caterpillar, Alere, Crawford, Hewitt Associates, IncentOne, Mercer, OptumHealth, Pfizer and Towers Perrin.

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Key Findings:

- **Employers commonly provide incentives to promote employee involvement in health and productivity.** Overall, 73% of employers in the IBI sample of 500 employers provide at least one incentives program. Mid-sized employers provide the most incentives, but even employers of fewer than 500 employees average more than four health and productivity incentives.

- **Disincentives are mandated much less frequently.** Only 19% of respondents penalize employees who fail to cooperate in health and productivity promotion. Employers also believe that benefits-related incentives work better than benefits-related disincentives. Sometimes, however, it is hard to tell incentives from disincentives. For example, if nonsmokers receive a premium discount (an incentive), smokers do not receive that discount (a disincentive).

- ** Employers target participation as the most important goal, outcomes much less so.** A focus on simply participating or “showing up” reflects confusion about what outcomes to seek and how to measure them. Yet positive outcomes, such as weight loss, fewer health risks and heightened productivity, would best serve employers’ health and productivity targets. Between participation and outcomes sits “employee behavior change” as an employer goal.

- **Employers don’t view incentives/disincentives they provide as optimal, nor do they differentiate the incentives they offer by the goals they seek.** At the same time, they believe that they should encourage different activities. They are unwilling to mandate effective disincentives such as salary reduction or job sanctions. Perhaps this behavior reflects a time of “shaking out,” where more experience with their programs will result in sharper focus.

- **Corporate culture is a significant determinant of employer behavior.** The company’s culture is cited as an important reason for having no incentive or disincentive program. Culture may also discourage the use of disincentives that are likely to be viewed as take-aways or as involvement in areas that are “none of the employer’s business.” Employers want a more effective communication strategy to deal with such issues and make their offerings and goals clear.

- **Substantial sums are invested in incentives and disincentives programs.** Although most employers currently invest up to $200 per participant per year, a substantial proportion put more than $400 at risk annually. What’s more, many believe that they should increase incentives amounts.

- **Providing full benefits and full salaries for workers involved in transitional return-to-work (RTW) programs are successful incentives.** These two benefits-related incentives not only are viewed as the most effective incentives but also are frequently offered and tend to be associated with outcome goals more than any other incentives.
The key findings from IBI’s incentives survey uncovered many challenges for employers in implementing a program of incentives and disincentives to promote workforce health and productivity. To help employers understand how best to respond, IBI invited experts from its member companies to offer employers advice about the challenges, disconnects and obstacles identified in the study.

The findings that stimulate a call for action for employers are often different from key research findings. IBI’s new Member Solutions Board (MSB) helped us identify five actionable findings, along with a series of suggestions for meeting each challenge.

Here we present a summary of those findings and pragmatic employer actions about threshold issues that employers should consider in meeting each challenge.

**IBI Finding #1**

Employers appear to use a shotgun approach in developing incentives programs. The incentives they offer aren’t related systematically to employers’ goals.

**Expert Tip:**

Don’t offer an incentives smorgasbord. Not all incentives are equal, but most work better when they fit within your culture and goals. A shotgun approach may distract employees and waste time and effort reaching an unintended goal that is meaningless to your corporate health.

**IBI Finding #2**

Employers target participation as their most frequent incentives goal, outcomes much less so. Yet positive outcomes would best serve employers’ bottom-line targets.

**Expert Tip:**

Start by identifying measurable goals for participation, behavior change and outcomes. At first, it might make sense to focus on employee participation; it’s easy to measure, is less of a culture challenge and has fewer regulatory restrictions. After a few years of communicating and educating workers about the importance of health, be more aggressive and target outcomes.

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Thanks to the IBI members who constitute the Member Solutions Board for this research and who submitted employer action items: Caterpillar, Alere, Crawford, Hewitt Associates, IncentOne, Mercer, OptumHealth, Pfizer and Towers Perrin.
IBI Finding #3
Corporate culture is critical to a successful incentives program. Incentives and disincentives that drift too far from the culture of the company and its workforce are unlikely to meet the employer’s goals.

Expert Tip:
If your corporate culture is in a lower state of readiness for change, consider as an initial strategy a simple, understandable program design with a lower-dollar-value incentive. Based on results, build incentive value and complexity over time while communicating to employees the importance of health to them and to your bottom line.

IBI Finding #4
Employers often don’t view the incentives and the disincentives they offer as the most effective. Yet they are unwilling to mandate effective disincentives.

Expert Tip:
Depending on your corporate culture, you may be right in delaying the use of disincentives until you can justify them by measurable benefits against the risk. For now, you might consider using disincentives to target unpopular and costly behaviors such as smoking or for obtaining health risk information.

IBI Finding #5
Employers invest substantial sums in incentives and disincentives programs.

Expert Tip:
Be careful to balance the incentive value with the effort needed to achieve the target. Additional value is needed for additional effort. To justify the amount invested in incentives, you need to measure the impact of incentives broadly. Hold your vendor partners accountable for results across your benefits programs and not just within the silo in which the vendor operates.

See pages 25 to 28 for the full details on the experts’ suggestions.
Background

Diabetes, hypertension, depression, high cholesterol, obesity and other common, costly chronic health conditions share one major element: Individuals can improve their health by changing their behavior. They could eat better, exercise more often, seek treatment when needed and take their medicines as prescribed.

A growing number of employers use incentives to motivate employees to adopt healthier lifestyles.1,2 Employers can encourage healthy behavior through various plan offerings, activities, incentives and disincentives. Relatively little research has focused on the employer/employee relationship to assess the characteristics and the effectiveness of incentive-based programs or the employer goals in offering them. In 2007, IBI along with Harris Interactive (authors of the Harris Poll) surveyed more than 500 employers representing approximately 5 million employees on the incentives and the disincentives they offer to promote a healthy and productive workforce. This report describes the results of that survey.


Business Case for Incentives for Health and Productivity

In addition to the benefits of a healthier, fuller life for the employee, the bottom-line payoff for employers from encouraging employee health-related behavior change can be significant. As one example, in 2007 the Integrated Benefits Institute conducted research on the extent to which employees diagnosed with rheumatoid arthritis (RA) complied with recommended medications.\textsuperscript{3,4} The study demonstrated that the failure by 55\% of those employees diagnosed with RA (2,467 of the employees in the study group) to submit at least one prescription for disease-modifying anti-rheumatic agents was associated with $17.2 million in lost productivity associated with short-term disability alone.

It is not just RA that presents an opportunity for substantial savings from encouraging behavior change and better health. IBI co-authored a recent article on the relative health-related costs of medical conditions.\textsuperscript{5} The baseline results for the top-10 full-cost drivers shown to the right were derived from a medical/pharmaceutical database that researchers linked to self-reported lost time and the resulting lost productivity from absence and presenteeism (continuing to work while in ill health but at a lower capacity due to the health condition). The results for the 10 most costly conditions show significant opportunity for lost-productivity savings from decreased lost time that can result from better health, in addition to medical and pharmaceutical savings that might occur.


Recent data from the Centers for Disease Control and Prevention\(^6\) also demonstrate the burden on activities, including work, that comes from chronic health conditions. As workers become less healthy overall\(^7\) and grow older, participation in work-based health improvement programs may become necessary to promote savings and the increased health-related productivity essential to the management of human capital and resulting profitability.

\(^6\) Centers for Disease Control and Prevention, National Center for Health Statistics. Health, United States 2007. Figure 15. Data from the National Health Interview Survey. <www.cdc.gov/nchs/hus.htm>

Use of Incentives and Disincentives

IBI first sought to learn the extent to which employers are using incentives and disincentives to encourage employees to benefit from health and productivity programs by working with Harris Interactive to include a question on incentives in its semiannual survey of Fortune 1000 employers. Out of 284 respondents, Harris found that six in 10 of the Fortune 1000 companies surveyed use incentives in promoting their health programs.¹

Harris then surveyed a broad range of employers varying by size, industry and public versus private ownership (see Appendix). In the opportunity sample of 500 employers in this research, we found that a higher proportion use incentives to encourage health and productivity in their workforce compared with the Harris Fortune 1000 sample; 73% of the employers in the opportunity sample use one or more incentives.²

But perhaps more striking is that fewer than two in 10 employers in our sample use disincentives to promote workforce health and productivity. Clearly, employers today believe that the carrot is more effective—or perhaps less dangerous—than the stick in motivating employee behavior.

Why So Few with Disincentives?

Why might incentives be used so much more often than disincentives by our respondents? We will see evidence throughout this report that these incentives/disincentives programs are relatively new and subject to change. It stands to reason that employers would start with a program that the workforce will tend to view as value-added and not a take-away. Further, when programs mature, disincentives may become more common, as employers have the opportunity and the time to “socialize” the concept of shared responsibility for healthcare decisions with management and their employees.

Other research identifies a strong bias among the general public against programs that penalize individuals for some health problems but not others. A December 2005 poll by the Wall Street Journal and Harris Interactive of 2,007 adults reported a strong public dissatisfaction with charging more in premium, copayments and deductibles (a disincentive) for individuals with some health problems.

² The opportunity sample was drawn from IBI members, employer health coalitions and other groups interested in health (see Appendix). The higher level of incentives use in IBI’s opportunity sample than in the Fortune 1000 sample may reflect a higher level of health engagement by surveyed employers. Also, see discussion later in this paper about why large employers may be less willing to provide incentives than smaller employers that compose part of IBI’s opportunity sample.
Based on these results, being overweight and avoiding exercise are viewed as areas that may be considered “none of the employer’s business,” as the public is likely to view them as affecting only the individual. On the other hand, substantially more respondents believe that it is appropriate to penalize smoking and heavy alcohol use, perhaps because of their potential to affect others. Employers also may be more comfortable with the concept that smoking has a direct impact on health—and alcohol use on the potential for ill health and accidents—with all having an impact on lost time.

Changing this attitude may require more-intensive education and communication. Overweight and poor exercise habits are two factors likely to exacerbate a number of serious, chronic health conditions as workers age. The more employees understand these basic drivers of ill health, the more likely they may be to understand and embrace employer efforts to change these factors and improve worker health and productivity. For now, however, given such attitudes employers are less likely to risk the wrath of their employees by initiating unpopular disincentives that may not fit the corporate culture.

Why Neither Incentives nor Disincentives?
For those 28% of survey respondents who reported using neither incentives nor disincentives, a range of reasons was cited, though none predominates.

The top-four reasons are statistically equally likely: not part of corporate culture, no financial resources to support, no staffing resources to support and too little information. Also cited were no proven return on investment and concerns about employer access to personal health information (PHI). The four reasons in the middle likely amount to the same thing: too little information. Had a compelling case been made and an adequate ROI been established, companies would find the necessary financial and staffing resources. Further, citing lack of financial resources as a reason suggests that many employers think that incentives must be in the form of added costs rather than disincentives. The two cited reasons at each extreme—corporate culture and employer access to personal health information—represent communication needs and clarification of employers’ legal requirements. The latter is relatively easy to achieve; the former is more difficult. The corporate culture issue emerges later in this discussion as it pertains to the use and the relative effectiveness of disincentives.

DISINCENTIVES BASED ON PERSONAL HEALTH AND WELLNESS FACTORS
Support of different levels of insurance premiums, copayments or deductibles per condition


IF NO INCENTIVES OR DISINCENTIVES, WHY NOT?

**Average number.** For employers that use incentives, the practice appears fairly well established. We surveyed employers on a total of 13 incentives. For employers that have at least one incentive in place, the average number of incentives is 4.8.

Just as fewer employers have adopted disincentives as a way to encourage employee health and productivity, those who have put them in place use fewer of them: only 1.7 on average. IBI surveyed for the existence of only five disincentives, so having fewer in place may not be that surprising.

**Number by size.** The average number of incentives and disincentives, for employers that have them, also varies by size.

Mid-sized employers are significantly more likely to have more incentives in place than both smaller employers and larger ones. Why this might be is beyond the scope of this research but is worth some speculation.

Some large employers express concern about the affordability of incentives and the wide range of potential cost for very large populations. For newer health and productivity initiatives, they can’t predict participation or compliance with a high degree of accuracy. Mid-sized employers may know their populations more intimately and be more likely to have a smaller range of predicted costs from incentives.

Perhaps this difference occurs because the jumbo-sized employers are spread across more worksites and have more-complex benefits programs, often with carve-out plans. Because corporate culture is an important determinant of the existence of incentives/disincentives programs, the decentralization that can occur from multiple worksites may disrupt a clear culture from the top down that may otherwise occur for smaller, single-site employers. For large, dispersed workforces, it may be more difficult for senior management to be seen as “walking the talk.” We see later that “communication” is an issue for employers in implementing incentives and disincentives. Perhaps those challenges are more difficult for large employers.

Because of the relatively small number of employers that include disincentives in their programs, the differences by size in the number of disincentives offered are not significantly different across size classes.
Types of Incentives and Disincentives Offered

We also explored the variety of incentives and disincentives that employers currently offer to motivate employees to engage in health and productivity goals.

Incentives

We asked whether companies used any of the following types of incentives:

- Premium reductions/credits
- Copay or co-insurance reductions
- Cash (direct cash payment without directing how to spend)
- Money in flexible spending account
- Discounts for services (e.g., reduced fee for gym membership)
- Cash-equivalent gifts (e.g., gift certificates with cash value)
- Points that can be used to purchase items
- Team prize
- Nonmonetary gifts (e.g., backpacks, mugs, T-shirts, etc.)
- Full salary during transitional return-to-work program
- Maintaining all benefits during participation in transitional return-to-work program
- Lottery or sweepstakes (entry into a drawing to win a named prize)
- Paid time off (extra vacation days)

The incentives offered (as a proportion of the employers that offered at least one incentive) are diverse. We see a mix of incentives being used across employers. The most prevalent incentives are discounts, at 63% of employers, and nonmonetary gifts, at 62%, but benefits during a transitional RTW period (53%) and lottery/sweepstakes (43%) are not far behind. Points for purchases and additional paid time off are the least-used incentives, at 17% and 12% of employers, respectively.

It is clear that there is little consistency in the manner in which employers use incentives. This may be another indication of the extent to which employers’ use of incentives is relatively new and evolving. We report later how use of the various incentives reflects the goals employers have for employee participants and how employers assess their effectiveness.

INCENTIVES OFFERED

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<thead>
<tr>
<th>Incentive</th>
<th>Percentage</th>
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<tr>
<td>Discounted Services</td>
<td>63%</td>
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<tr>
<td>Nonmonetary Gifts</td>
<td>62%</td>
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<tr>
<td>Benefits During RTW</td>
<td>53%</td>
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<tr>
<td>Cash Equivalent</td>
<td>45%</td>
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<tr>
<td>Lottery Entry</td>
<td>39%</td>
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<tr>
<td>RTW Full Salary</td>
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<tr>
<td>Premium Reduction</td>
<td>37%</td>
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<td>Team Prize</td>
<td>28%</td>
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<td>Flex Account</td>
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<tr>
<td>Copay Reduced</td>
<td>25%</td>
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<tr>
<td>Cash</td>
<td>25%</td>
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<tr>
<td>Points</td>
<td>17%</td>
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<tr>
<td>Paid Time Off</td>
<td>12%</td>
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</tbody>
</table>
Disincentives

We also asked whether companies used any of the following types of disincentives:

- Premium increases
- Copay or co-insurance increases
- Elimination or reduction in benefits
- Salary penalties
- Job sanctions

Although we didn’t specifically define job sanctions in the survey itself, in addition to salary penalties already included as a separate type of disincentive, job sanctions may be defined to mean disciplinary actions, such as written and verbal warnings or negative performance reviews, demotion/nonpromotion, loss of service time or seniority, suspension and even termination.

The disincentives offered are shown as a proportion of employers that mandated one or more disincentives.

Two disincentive types predominate. Premium increases for employees who don’t participate in a health and productivity program are used by about two-thirds of employers that use disincentives, while copay increases are used by more than 40%. It must be noted that relatively few respondents include disincentives in their management of workforce health and productivity (only 19% of those that could respond), so even the top-ranked “premium increases” involve a relatively small proportion of the surveyed sample.

Disincentives most likely to be viewed by workers as the most draconian—that is, benefits reduction, salary penalties and job sanctions—are less likely to be used. This fits in with our discussion of why disincentives themselves may be used less in general.

Usage by Category

IBI categorized incentives and disincentives by type to see if employers are more likely to favor some types over others. We grouped the 13 incentives by similarity of strategy into the following three categories:

Cash-based:
- Cash (direct cash payment without directing how to spend)
- Money in flexible spending account
- Discounts for services (e.g., reduced fee for gym membership)
- Cash-equivalent gifts (e.g., gift certificates with cash value)

Benefits-related:
- Premium reductions/credits
- Copay or co-insurance reductions
- Full salary during transitional RTW program
- Maintaining all benefits during participation in transitional RTW program
- Paid time off (extra vacation days)

Prizes/Gifts:
- Points that can be used to purchase items
- Team prize
- Nonmonetary gifts (e.g., backpacks, mugs, T-shirts)
- Lottery or sweepstakes (entry into a drawing to win a named prize)
We also grouped the five disincentives into two categories, by similar strategies:

**Benefits-related:**
- Premium increases
- Copay or co-insurance increases
- Elimination or reduction in benefits

**Salary/Job:**
- Salary penalties
- Job sanctions

IBI then combined incentives and disincentives into their four component groups, which resulted in the utilization shown to the right, by strategy group.

As a proportion of employers that offer either an incentive or a disincentive, cash-based and those focused on changing benefits contributions are the most common, with 84% and 81% participation, respectively. Seven in 10 offer prizes and gifts. Strategies that focus on salary and jobs are the least common, reflecting their use as disincentives and the relatively low use of disincentives in general. We use these categories later in this report, as well.
Targets and Goals for Incentives and Disincentives

Incentives and disincentives don’t stand alone; they are used to achieve specific employer goals. We asked employers what employee results they are targeting through the incentives and disincentives they use. Employers were allowed to select more than one type of result for each incentive.

We viewed these results along a continuum: from participation to a health-behavior change, regardless of the effect on health and productivity, to actual changes in outcomes:

- **Participation** includes employee attendance or engagement in a health-related program of any type. The incentive is awarded directly for participation; for example, participation in an educational program (e.g., attending a smoking-cessation class), completion of a health-related document (e.g., health risk appraisal), online activity (e.g., visiting a health-related Website), or participation in a return-to-work program (e.g., meeting with disability-related case manager).

- **Health-behavior Change** includes changes in the health-related behavior of an employee. The incentive is awarded directly for the actual health-behavior change; for example, this could include less risky behavior (e.g., smoking less, exercising more) or participation in appropriate health-related treatment (e.g., using more preventive health services).

- **Outcomes** include measurable employee health-related outcomes or results. The incentive is awarded directly for the actual health-related result; for example, this could include tangible lab results (e.g., cholesterol levels) or biometric results (e.g., weight loss).

This goal-related dynamic is one of the most illuminating segments of this research. Employers get the most for their incentives/disincentives investment when such programs actually result in a changed outcome, such as weight loss, a change in cholesterol levels or less time off work. At the other end of the spectrum, participation is a plus and a necessary start to improved outcomes, but little might be gained from someone attending presentations on smoking cessation or nutrition if no change in behavior or outcome results despite “great” participation results.

There are a number of ways to quantify how the goals are applied to incentives and disincentives. For example, respondents cited a total of 1,540 different incentives and disincentives that they apply to encourage workforce health and productivity. Of those, outcomes were listed as a goal for 602 (39%), behavior change was a goal for 789 (51%) and participation was a goal for 1,211 (79%). As noted, respondents were permitted to choose as many of the three potential program goals as they believe apply.

Another way to quantify the extent to which outcomes are a goal of the incentives/disincentives programs is to take an employer-centric view of the goals. For employers that offer at least one incentives program, outcomes are listed as a program goal for 14% of the incentives reported, on average, by each employer. To help put this in perspective, 38% of respondents with at least one incentives program said that outcome is never a goal, while 6% of respondents stated that 50% or more of their incentives are targeted on outcomes.

By this measure, employers target their disincentives on outcomes more frequently. On average, those employers offering at least one disincentives program target outcomes 20% of the time, and 12% of respondents say they target outcomes 50% or more of the time.

Finally, the best way to evaluate whether employers are willing to encourage outcomes is likely to be the extent to which each employer lists outcomes as a goal for at least one of the incentives and disincentives it maintains.
By this measure, participation and behavior changes still outweigh outcomes as goals.

More than three-quarters seek employee participation in the programs they offer. The percentage reduces to 65% for behavior change. Half of all employers list outcomes as a goal for at least one of the incentives and/or disincentives programs they have in place. We find here that half the employer respondents understand and value the ability to encourage better outcomes through incentives and disincentives, at least to some extent. And yet, as we see above, on average employers target only 14% and 20% of their incentives and disincentives programs, respectively, on outcomes.

It isn’t clear why employers appear to be putting fewer resources into program targets that, logically, they should prefer—that is, behavior change and better outcomes. We suspect that the reluctance has to do with concerns about the ability to measure behavior change and actual outcomes. Participation is certainly far easier to measure. We discuss this question more later.

For guidance, we looked at goals cut two different ways.

**Goals by Groupings of Incentives**

First we looked at goals by the way we grouped incentives and disincentives into categories.

For the goals organized by these broader categories, we note several interesting results. There is a wide variety of incentives available, yet there appears to be little distinction or consensus about which types of incentives best serve which goals. Within each category of participation, behavior change and outcomes, there is little difference whether employers use cash-based, benefits-related or prizes/gifts incentives.

Another way to say this is that there is no consensus about which types of incentives better serve each of the goals. For example, between 80% and 83% of employers encourage participation through use of one of the three major categories of incentives. For behavior change, the range is 68% to 70%. The most diversity is shown for employers trying to encourage outcomes. Comparing benefits-related incentives to cash-based for an outcomes goal, employers appear to significantly favor benefits-related incentives, with prizes and gifts in the middle.

This general lack of differentiation tracks with the earlier hypothesis that incentives use is relatively new. Perhaps they need more experience to better refine their use of the right incentive to achieve the appropriate goal. Another hypothesis is that they aren’t measuring results, so they haven’t refined the application of incentives programs by desired goal.

The other observation from this comparison is that the use of incentives, by category, diminishes here too, as employers’ goals move from participation to behavior change to outcomes. Cash-based benefits fall off the most and benefits-related the least. Employers focus on participation instead of outcomes with their incentives groups even while maintaining a broad range of incentive types for those that use them.
Goals by Groupings of Disincentives

We see very different patterns when we look at goals by the disincentives groupings we constructed. Employers appear to have a different attitude about their use of disincentives. Because relatively few employers (19%) use disincentives at all, it is instructive to see where disincentives are used.

When using disincentives, employers tend to not use the “big guns” of salary penalties and job sanctions simply to enforce participation in health and productivity programs but focus more on behavior change and outcomes. This is also true, to a slightly lesser extent, on use of benefits-related take-aways as disincentives. Employers may see that the use of disincentives to enforce a participation goal is less likely to be worth the risk of redefining the corporate culture or endangering employee goodwill.

Goals and Health and Productivity Initiatives

As part of the survey analysis, IBI matched the use of incentives and disincentives to various health and productivity initiatives. The extent to which employers have these initiatives in place and their business goals for them is the topic of an additional report.

The four health and productivity management (HPM) initiatives IBI asked about were:

- **Health promotion**—for example, such programs as self-care, nurse call-line and seeking appropriate medical treatment
- **Demand management**—for example, such programs as self-care, nurse call-line and seeking appropriate medical treatment
- **Disability management**—for example, such programs as return to work and disability case management
- **Disease management**—for example, such programs as disease screening, care management and case management

When we assess the desired goals by type of HPM initiative, we see the familiar trend that applied when we analyzed the goals sought by types of incentives. Participation is the most prominent goal for the HPM initiatives, followed by behavior change, then outcomes. Remember, these are viewed through the screen of the incentives and the disincentives that are applied for each type of initiative.

For each desired goal—participation, behavior change and outcomes—the percentage of employers with that goal is similar across HPM initiatives. Where some difference exists by goal, the results are logical and consistent. It is not surprising that the HPM initiative most likely to include an outcome goal is disability management. A safe, effective return-to-work outcome is likely to be the goal that results from the types of incentives and disincentives that are applied to promote disability management.

The two incentives regarding payment of full benefits and full salary while the employee is participating in transitional RTW programs also were the two with the highest reported incidence of outcomes as a goal, 53% and 52%, respectively.
As to the goal of participation, demand management has a significantly higher participation goal than the other three HPM initiatives. Because the goal for demand management is likely to be employee engagement in health coaching and medical treatment, participation is a sensible goal by which success can be measured.

**Why Not Focus on Outcomes?**

One might wonder if it is rational to focus attention on inducing employees to participate in a health and productivity program and, to a lesser extent, to encourage behavior change if there isn’t equal focus on a change in outcomes.

In probing the various goals and other issues around incentives and disincentives, we also conducted 25 expert interviews to add context to the survey results. In those surveys, we found two insights into the issue of outcomes as a goal.

First, we found that these employers still are not certain about the types of outcomes that might be most useful to track and reward. This confusion apparently is less of a problem for disability management, where return to work is an outcome worth measuring but the likely outcomes for other interventions are less obvious.

In addition, employers said that they are uncertain about the best ways to measure outcomes. Perhaps if employers first defined the appropriate outcomes to seek, it would make the measurement issue an easier one with which to deal. For example, if a reduction in health risks is an outcome that employers seek from health promotion initiatives, there are many health risk assessments that are available. By the same token, if employers determine that they seek to improve health-related productivity in their workforces, there now are self-report tools available to assess such improvement, such as HPQ-Select, which IBI developed in partnership with the Midwest Business Group on Health and Ronald Kessler, Ph.D., of Harvard Medical School. A variety of self-report tools are offered by other organizations as well.¹¹

Uncertainty about what outcomes to measure and how to measure them may be symptomatic of the newness of an incentives/disincentives approach, about which we have seen other evidence. As employers mature in their programs, their focus can be expected to tighten.

The major focus on participation also may come because the results are relatively easy to measure. Did the employee fill out a health risk assessment? Did he or she attend a smoking-cessation clinic? Did he or she consult an online health coach? Behavior change and outcomes may be viewed as harder to measure and quantify.

Corporate culture and a desire to promote employee satisfaction may be driving emphasis toward participation. Simply “showing up” is relatively inoffensive as a goal and is unlikely to spur a negative reaction. Similarly, in mid-December 2006, the Departments of Labor, Treasury, and Health and Human Services jointly issued final regulations concerning HIPAA’s nondiscrimination and wellness program rules.¹² The wellness rules apply only when obtaining a health plan–related reward depends on meeting (or not meeting) a health-related standard (i.e., an outcome). If a reward is conditioned only on participation, the wellness regulations don’t apply. These survey results from 2007 may reflect a desire by employers to avoid the requirements of the new regulations (or any uncertainty in applying them) by offering participation programs.


¹²December 13, 2006, 71 Federal Register 75014.
Effectiveness of Incentives and Disincentives

Employers need to know that the incentives and the disincentives they have adopted are working as intended. Ideally, they want to know what is working to improve the health behaviors of their employees and reduce health-related lost time. Although we could not obtain empirical results on outcomes via this employer-based survey, we did ask about self-assessed effectiveness.

Effectiveness of Incentives

In the survey, we asked employers to subjectively rate on a 5-point scale the relative effectiveness of each of the incentives they offer.

In the chart to the right, we array the incentives from top to bottom in the order of the prevalence with which they are offered by respondent employers—the same order as shown on page 10. The length of the horizontal bar no longer represents the proportion of respondents offering the incentive, however. Instead, it reflects the employers’ average rating of the relative effectiveness of the incentive in producing the intended employee result on a 5-point scale, with 5 most effective.

For example, discounted services is the most frequently offered incentive (by 63% of respondents, as shown on page 10), but it is ranked only 3.0 on a 5-point effectiveness scale. In the same manner, paid time off (extra vacation days) is the least common incentive offered (by 12% of respondents) but is rated 3.6 in effectiveness out of 5.

Several results are worth mentioning. First, two among the top three in effectiveness relate to return-to-work incentives: (1) maintaining all benefits for a disabled worker while participating in RTW and (2) paying full salary during transitional employment even if the work is part-time or less arduous. This finding alone should deliver a strong message about the efficacy of RTW incentives to those employers engaging in disability management through transitional RTW programs.

Second, if the most-effective incentives were used more frequently than the less-effective ones, the charted results would be shaped the same way as the prevalence chart, with the longest lines at the top and the shortest at the bottom. But that’s not the way employers behave. Once the RTW incentives are removed, many of the more-effective incentives are in the bottom half in terms of the frequency with which they are used. At best, one could conclude that the mix of effectiveness and prevalence is inconsistent. Perhaps this is another reflection that incentives programs are still in a shake-out phase, with employers struggling in their use of incentives for reasons other than their relative, perceived effectiveness. Otherwise, their approach to incentives makes little rational sense.
Effectiveness of Disincentives

Turning to the effectiveness of disincentives, the lessons are less clear.

The message is more muddled because with only one exception the effectiveness of disincentives is viewed as pretty much the same: middling effectiveness on average. The exception—the effectiveness of job sanctions as a disincentive—appears to repeat the pattern we saw with regard to incentives. Here, the most-effective disincentive is the least used.

There may be a subtle difference here, however. Although job sanctions are thought to be effective (and among of the most effective incentives and disincentives overall), they may be used less frequently because of the very power of the sanctions in disrupting seniority, relative compensation, benefits entitlement and other, normal perquisites of employment. Remember, these sanctions are being levied not because of safety violations or dishonesty but because of a failure to cooperate with workforce health and productivity promotion. It may be that the sanction is viewed as too draconian by management and workers alike.

Incentive/Disincentive Effectiveness by Category

We show effectiveness by the strategic groups we constructed for incentives and disincentives earlier in this report. For this purpose, we left benefits-related incentives and benefits-related disincentives separate.

This cut at the effectiveness results—with the most-effective group at the top and the least effective at the bottom—gives us additional insights. Benefits-related incentives, as a group, are deemed most effective by respondents, while the effectiveness of benefits-related disincentives are among the least effective as a group. At least in this stage of development, employers appear to believe that benefits-related incentives are doing a better job of promoting health and productivity among the workforce than are benefits take-aways.

### DISINCENTIVES EFFECTIVENESS

<table>
<thead>
<tr>
<th>Incentive/Disincentive</th>
<th>Effectiveness (on a 5-point scale, 5 = most effective)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium Increases</td>
<td>3.2</td>
</tr>
<tr>
<td>Copay Increases</td>
<td>3.3</td>
</tr>
<tr>
<td>Reduced Benefits</td>
<td>3.0</td>
</tr>
<tr>
<td>Salary Penalty</td>
<td>3.1</td>
</tr>
<tr>
<td>Job Sanctions</td>
<td>3.9</td>
</tr>
</tbody>
</table>

### INCENTIVES/DISINCENTIVES EFFECTIVENESS BY CATEGORY

<table>
<thead>
<tr>
<th>Incentive/Disincentive</th>
<th>Effectiveness (on a 5-point scale, 5 = most effective)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits-related Incentives</td>
<td>3.8</td>
</tr>
<tr>
<td>Salary/Job Sanctions Disincentives</td>
<td>3.5</td>
</tr>
<tr>
<td>Cash-based Incentives</td>
<td>3.4</td>
</tr>
<tr>
<td>Benefits-related Disincentives</td>
<td>3.2</td>
</tr>
<tr>
<td>Prizes/Gifts Incentives</td>
<td>3.1</td>
</tr>
</tbody>
</table>
Contribution or Penalty Amounts

Employers show particular interest in the dollar amount of the investment or penalty associated with the incentives and the disincentives they offer. IBI compared the level of employer payment (in the form of premiums, copays and co-insurance, cash and flex-account contributions) for incentives with the penalties employers impose for the disincentives they use.

In the chart to the right, one is struck by the similarity in the proportion of employers that invest and penalize each amount in each of the monetary categories. The only real difference is that a larger share of employers spend $100 to $200 on incentives compared with those that spend the same amount in disincentive penalties for this financial category.

One also is struck by the declining employer proportions as levels increase, at least until the $400+ level is reached. Clearly, a reasonably large share of employers are willing to invest significantly in incentives or to penalize employees heavily with disincentives.

Amount by Incentive/Disincentive Type

Analysis also shows that employers appear to put more at risk for disincentives than they do for incentives. Premium adjustments of more than $400 per participant per year are more frequent as an increased premium disincentive than a decreased premium incentive (24% versus 18%, respectively, over $400) and are more frequent as an increased copay disincentive than a decreased copay incentive (29% versus 24%, respectively, over $400).

Of the incentives and the disincentives included in the question, the one with the highest proportion over $400 was for the salary penalty disincentive, where the proportion penalizing more than $400 was 43% of respondents.

It is interesting that the relative amount at risk for disincentives, at the high end, for the three disincentives assessed (premium increases, copay increases and salary penalties) doesn’t result in an assessment of higher effectiveness. In fact, incentives represented by premium decreases and copay decreases tended to be relatively more moderate and were rated much higher in effectiveness overall.
What to Improve?

As a final question, we asked, “In your organization’s current state, would you do anything about your incentive-/disincentive-based approach to make it more effective?” Respondents were allowed to select any that apply.

The improvement questions were as follows:

1. Nothing; our approach is working.
2. Nothing; corporate culture will not support additional change.
3. Not sure; need more information.
4. Increase dollar value of incentives.
5. Keep dollar value of incentives the same.
6. Decrease dollar value of incentives.
7. Change the types of activities that are rewarded.
8. Reward participation in multiple activities, not just a single activity.
9. Improve communication strategy to boost participation.
10. Impose higher financial penalties.
11. Other.

The chart to the right shows the top-four change strategies selected by employers.

Nearly three-quarters said they would improve their communication strategy to boost participation, believing, apparently, that employees don’t understand or value sufficiently the programs that are available to them. The need to improve a communication strategy is frequently mentioned in IBI case studies as an area for improvement when new programs are established. This is likely to be the case here, with a relatively new program in need of better explanation. A recent empirical study demonstrated the importance of communication frequency and modality to improve participation rates in their incentive-based programs.13

Nearly half said they would reward a different set of activities, showing that many don’t believe the activities they are encouraging are having the desired effect.

A little more than 40% said they would increase the dollar value of their incentive-based programs. The amount they have chosen currently is not sufficient to motivate the desired behavior. This contrasts with the fewer than 12% who said they would impose higher financial penalties as part of their disincentives approach. Finally, about 40% also said they would reward participation in multiple activities, not just a single activity. This shows that employers understand the “interaction effect” of multiple approaches.

Each of these top-four improvements is likely an indication that employers are experimenting with several aspects of their incentives and disincentives programs. Very few employers—only 8%—indicated that their approach was working and they would not change anything. On the whole, the types and the combinations of activities to which the programs are applied are being questioned as is the amount of the investment or penalty involved. As these programs change, the communication techniques and strategies become even more important to assure employees that health and productivity is a corporate goal, potentially critical to the future profitability of the company as well as to the health and happiness of workers.

Due to the nature of this survey question, there is another way to analyze the information we received about the amount to invest in incentives programs. Respondents were asked about three suggested tactics regarding their investment in incentives to make them more effective in the future: increase the dollar value of incentives, keep the dollar value of incentives the same, and decrease the dollar value of incentives. Of the 164 respondents choosing at least one of these three investment options, 73% indicated that they planned to increase the dollar amount of incentives.

We then asked respondents who said they would increase incentives about the level to which they would increase them. We then compare the current level of incentives for all respondents with the 42% who said they would increase incentive levels. Results show that the levels planned for incentives by the 42% who believe they should raise them shift consistently and substantially to more-expensive categories compared with the levels currently maintained by all respondents with an incentive plan. So, even though we saw that incentives represented by moderate premium decreases and copay decreases are viewed as more effective than higher disincentives penalties, respondents appear to believe that increased incentives would be even more effective.
Employer-based strategies to encourage employees to improve their health and productivity are relatively common across employer segments by size and industry. The major difference in behavior among employers is their willingness to offer incentives rather than disincentives. Aside from corporate culture, most of the reasons cited for an absence of incentives or disincentives programs can be remedied through education about the need to bring employees to health and productivity, the competitive downside of failing to do so, and the potential savings and value that can come from investing in workforce health and productivity. Developing a supportive corporate culture will require more effort, and the survey results show us that such an effort needs to include a more effective communication strategy. Much evidence from the survey points to incentives and disincentives as a relatively new phenomenon. As with most new, dynamic programs, there still is much fine-tuning needed. Employers appear confused about how to offer the most-effective programs and how to target incentives and disincentives toward the goals they need to maximize the health and productivity of their workforce. This report provides a baseline for employer experience related to incentives and disincentives to promote health and productivity. Experience with current initiatives programs, enhanced communication with employees about the importance of improved health and productivity, and careful measurement of results should help improve employer decision-making about the incentives and the disincentives they use. As evidence grows regarding the payoff for employers and their employees in health and productivity investments, IBI will continue to publish those developments and provide tools to employers that seek improvement.

Organizations Represented

For this survey, we developed an opportunity sample based on IBI’s member lists and the clients and the members of the following organizations:

- National Business Coalition on Health
- Pacific Business Group on Health
- Los Angeles Business Coalition on Health
- Maine Health Management Coalition
- Midwest Business Group on Health
- Nevada Health Care Coalition
- Employer Health Care Alliance
- Savannah Business Group
- Memphis Business Group on Health
- Mid-America Coalition on Health Care
- Colorado Business Group on Health
- Indiana Employers Quality Health Alliance
- Pittsburgh Business Group on Health
- Oregon Coalition of Health Care Purchasers
- American Association of Occupational Health Nurses
- Alere, formerly Matria Healthcare

We appreciate these partners’ assistance in this particular survey effort and their ongoing support in connecting employers with effective health and productivity improvement strategies.

The Survey

Harris Interactive, an independent national market research firm best known for the Harris Poll, conducted the Web-based survey during the summer of 2007. The respondents consist of 500 employers representing approximately 5 million employees. More detail on the workforce size, industry, workforce demographics and other characteristics are provided on the following page. Survey definitions and detailed analytic results are available from the authors.
Respondent Demographics

<table>
<thead>
<tr>
<th>Employers’ Primary Industry</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>28.8%</td>
</tr>
<tr>
<td>Health care and social assistance</td>
<td>18.4%</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>10.6%</td>
</tr>
<tr>
<td>Professional, scientific, technical services; information</td>
<td>7.1%</td>
</tr>
<tr>
<td>Public administration</td>
<td>6.1%</td>
</tr>
<tr>
<td>Utilities</td>
<td>4.3%</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>3.3%</td>
</tr>
<tr>
<td>Educational services</td>
<td>3.3%</td>
</tr>
<tr>
<td>Arts, entertainment, recreation; accommodation, food and other services</td>
<td>3.0%</td>
</tr>
<tr>
<td>Transportation and warehousing</td>
<td>2.5%</td>
</tr>
<tr>
<td>Other*</td>
<td>12.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

*Includes agriculture, forestry, fishing and hunting; mining; construction; management of companies and enterprises; administrative and support and waste management and remediation services; and other.

<table>
<thead>
<tr>
<th>Workforce Size</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 50</td>
<td>2.0%</td>
</tr>
<tr>
<td>50–199</td>
<td>6.3%</td>
</tr>
<tr>
<td>200–499</td>
<td>8.1%</td>
</tr>
<tr>
<td>500–999</td>
<td>8.3%</td>
</tr>
<tr>
<td>1,000–4,999</td>
<td>25.8%</td>
</tr>
<tr>
<td>5,000–9,999</td>
<td>12.4%</td>
</tr>
<tr>
<td>10,000–14,999</td>
<td>9.6%</td>
</tr>
<tr>
<td>15,000–24,999</td>
<td>7.3%</td>
</tr>
<tr>
<td>25,000+</td>
<td>20.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Workforce Gender</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>52.2%</td>
</tr>
<tr>
<td>Female</td>
<td>47.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Workforce Age</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>34 or younger</td>
<td>27.1%</td>
</tr>
<tr>
<td>35–49</td>
<td>44.8%</td>
</tr>
<tr>
<td>50 or older</td>
<td>28.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organizational Status</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>For profit, public</td>
<td>40.1%</td>
</tr>
<tr>
<td>For profit, private</td>
<td>30.9%</td>
</tr>
<tr>
<td>Nonprofit</td>
<td>16.6%</td>
</tr>
<tr>
<td>State or local government</td>
<td>9.2%</td>
</tr>
<tr>
<td>Federal government</td>
<td>1.5%</td>
</tr>
<tr>
<td>Other</td>
<td>1.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
The key findings from IBI’s incentives survey uncovered many challenges for employers in implementing a program of incentives and disincentives to promote workforce health and productivity. To help employers understand how best to respond, IBI invited experts from its member companies to offer employers advice about the challenges, disconnects and obstacles identified in the study.

**IBI Finding #1**

Employers appear to use a shotgun approach in developing incentives programs. The incentives they offer aren’t related systematically to employers’ goals.

**Expert Tips:**

- Focus your incentives programs where they will do the most good. Review your existing data on what medical conditions affect your total costs of ill health (or develop workforce data using such employee self-report tools as IBI’s HPQ-Select\(^5\)). As part of this process, listen to what employees value. If, for example, your workers resist weight or alcohol abuse management, seek to manage something less threatening but still with a high impact, like fatigue or sleep disorders.

- Incentives usually are poorly integrated. Integrate your incentives to achieve the best overall workforce results, decrease the management/administrative burden on you and your suppliers and identify broader outcomes to justify the expense.

- It is important for you to integrate incentives with plan design, consumer information and communication initiatives. Based on one MSB member’s experience, financial barriers accounted for only 25% of self-reported causes of nonadherence.

- Multiply the effects of your incentives and health and productivity initiatives through participant peer support and periodic feedback. For example, let employee teams compete for results, such as weight loss, smoking cessation and miles walked or jogged, to generate peer support. In addition, provide constant feedback and encouragement by prominently posting results and the “speed” at which they are being achieved (such as graphic “thermometer readings”).

- Don’t offer an incentives smorgasbord. Not all incentives are equal, but most work better when they fit your culture and goals. A shotgun approach may distract employees and waste time and effort reaching an unintended goal that is meaningless to your corporate health.

- Stick with your goals over time—consistency is vital. Change only when goals are met and exceeded, then move to other high-value goals.

- Use IBI’s four health and productivity program categories to organize and coordinate your incentives: health promotion, disease management, demand management and disability management. Look at each program type and ask, “Now what should we do in this slot that is consistent with and complementary to what we are doing in the other three?” This way you really can’t go far off the rails—it can be that straightforward.

[^5]: <www.ibiweb.org/do/PublicAccess?documentId=785>
Employer Action Items

**IBI Finding #2**

Employers target participation as their most frequent incentives goal, outcomes much less so. Yet positive outcomes would best serve employers’ bottom-line targets.

**Expert Tips:**

- Lay out a **multiyear strategy of positive incentives.** Reward participation in the first year; transition to a particular outcome in year two; then reward multiple outcomes in the third year. Market the approach to employees at the outset. Explain the gradual progression of activities required to earn the reward over successive years. Include certain standard incentives programs (e.g., smoking cessation) and vary others over different years to **keep the focus on encouraging a variety of behavior changes.**

- Before implementing any new incentives or disincentives, **identify measurable goals for participation, behavior change and outcomes.** Obtain agreement from your vendor on the definition of each metric and the vendor’s ability to track and report. Set both near-term and longer-term goals up front to move the programs from employee participation to outcomes. Ask health plans (a significant source of incentives programs) to provide **outcomes-based incentives options to help offset the expense of the incentives.**

- Emphasize incentives with longer-lasting visibility to your employees (e.g., cash may lose its effect over time and be viewed as an entitlement). “**Instant gratification**” incentives may increase participation, but the incentive’s impact may quickly be forgotten and not sustain the employee through the continuum from participation to behavior change to outcomes.

- When introducing incentives/disincentives, it might make sense to focus on employee participation; it’s easy to measure, is less of a culture challenge and has fewer regulatory restrictions. After a few years of communicating and educating workers about the importance of health, **be more aggressive and target outcomes.**

- If you have behavior change or outcome goals that can’t be measured, **reassess whether to continue such programs.**
IBI FINDING #3
Corporate culture is critical to a successful incentives program. Incentives and disincentives that drift too far from the culture of the company and its workforce are unlikely to meet the employer’s goals.

Expert Tips:

- Any incentives program and the initiative it supports must be seen as part of your corporate culture of health for it to be recognized as a serious and permanent part of your organization. Too often a health and productivity program may be perceived as a Benefits Department initiative simply aimed at saving health plan costs.

- Suggestions for reinforcing a corporate culture of health include:
  > Top-down communication support, with senior executives putting out consistent, repeated messages about the importance of health
  > Creation of a brand around your program to build employee recognition, ease communication and create a sense of belonging
  > Public, visible participation of senior executives and supervisors in the same program in which your other employees are being asked to engage
  > Showing broad support and sponsorship for nonwork activities and family programs that support health, such as run/walks or community health and fitness programs

- Either make sure that what you offer fits your corporate style, image and communication or consciously adjust your culture to match your health and productivity goals.

IBI FINDING #4
Employers often don’t view the incentives and disincentives they offer as the most effective. Yet, they are unwilling to mandate effective disincentives.

Expert Tips:

- Depending on your corporate culture, you may be right in delaying the use of disincentives until you can justify them by measurable benefits against the risk. It is unlikely, however, that the use of disincentives will become more common than incentives anytime in the future. Use only the three or four types of incentives best for you unless there is a specific and compelling reason to use less effective types—or disincentives.

- For now, you might consider using disincentives to target unpopular and costly behaviors such as smoking or for obtaining health risk information.

- An “ineffective” incentive may reflect a failure of your offered health and productivity program rather than the incentive itself. Employees will be at different stages of receptivity to behavior change. Don’t do what many employers do, that is, treating all employees the same or focusing only on the first stage (awareness/commitment—e.g., take a health risk assessment) and neglecting the other stages.

- You can learn much about incentives and disincentives for health and productivity by reviewing the experience your company may already have in offering safety incentives. Talk to your risk manager and workers’ compensation administrator about their experiences with various incentives programs and their relative effectiveness.
IBI Finding #5

Employers invest substantial sums in incentives and disincentives programs.

Based on one MSB member’s experience, the monetary value of the incentives/disincentives has more impact than the type of incentive/disincentive offered. This gives you the opportunity to engage employees in the design of the program and to select incentive types that match their unique preference.

To justify the amount invested in incentives, it is vital that you broadly and effectively measure the economic ROI and other areas of impact. Hold your vendor partners accountable for results across your benefits programs and not just within the silo in which the vendor operates.

Encourage the establishment of a standard set of agreed-upon outcomes measures and use them as much as possible.

Expert Tips:

- The same incentive value will be more effective if your company has a strong culture of health and an effective communication program than if it doesn’t.

- When designing incentives/disincentives programs, be careful to balance the incentive value with the effort needed to achieve the target. Additional value is needed for additional effort.
The Integrated Benefits Institute (IBI) provides employers and their supplier partners with resources to prove the business value of health. As a pioneer, leader and nonprofit supplier of health and productivity research, measurement and benchmarking, IBI is the trusted source for benefits performance analysis, practical solutions, and forums for information and education. IBI’s programs, resources and expert networks advance understanding about the link between—and the impact of—health-related productivity on corporate America’s bottom line.

For more than a decade, IBI has been in the forefront, leading businesses from concept to reality in integrating health, absence and disability management benefits as an investment in a productive workforce. IBI’s independent, cutting-edge approach and innovations consistently provide added value to a prestigious roster of employers, from leading corporations to small companies as well as their benefits management business partners.

IBI is committed to and invested in ground-breaking analysis of health, productivity, disability and absence issues as they cut across traditional health-related benefits, as well as expanding and enhancing its proven suite of measurement tools. Tackling the latest business challenges with state-of-the-art research, insights and thought leadership, IBI provides companies with robust and actionable integrated health and productivity benefits strategies. In close collaboration with frontline experts working on today’s critical business issues, IBI helps employers blaze a new trail both to superior benefits management in alignment with company objectives and to proving the business value of their health investment.

For more information about IBI’s programs and membership, go to IBIWEB.ORG.