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## Employer Wellness Initiatives Grow, but Effectiveness Varies Widely

By Ha T. Tu and Ralph C. Mayrell

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*While employer wellness programs have spread rapidly in recent years, few employers implement programs likely to make a meaningful difference in employees' health—customized, integrated, comprehensive, diversified programs strongly linked to a firm's business strategy and strongly championed by senior leadership and managers throughout the company. Employers that lack the ability and commitment to support a comprehensive wellness program may be wiser to stay on the sidelines, according to experts interviewed for a new qualitative research study from the Center for Studying Health System Change (HSC). Most experts believe substantial financial incentives are essential to achieving strong employee participation. However, there are compelling exceptions—companies that opt not to pay for wellness participation yet achieve strong buy in and improved outcomes. Return on investment for wellness initiatives is uncertain, particularly for one-size-fits-all programs purchased from vendors with little direct employer involvement. Measuring impact has many challenges—one key challenge is that wellness programs are seldom implemented without concurrent benefit design changes, so isolating the impact of wellness interventions alone may not be possible.*

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### Growing Employer Demand for Wellness Programs

Faced with relentless growth in health care spending, employers' interest in health promotion and wellness programs has increased dramatically over the past five years, according to most industry experts interviewed by HSC researchers (see Data Source). Reflecting the strong interest in employer-based wellness initiatives, the recently enacted health care reform law, known as the Patient Protection and Affordable Care Act (PPACA), includes provisions that may encourage more employers to offer wellness programs. The law includes grants for small firms to start wellness programs and directs the Centers for Disease Control and Prevention to provide technical assistance and other resources to help employers evaluate wellness programs.

Even during the recession, employer interest in wellness remained high, although some firms have delayed implementation until economic conditions improve. A few experts suggested that—after a period of dramatic growth—demand for wellness initiatives has begun to stabilize. According to one benefits consultant, most employers that have decided that comprehensive wellness programs are consistent with their company philosophy have already implemented the programs.

Large, self-insured employers—particularly those with low worker turnover—have been the most likely to undertake comprehensive wellness programs with substantial incentives. Some experts reported seeing high interest among smaller, self-insured employers—those with workforces in the hundreds—but these employers generally find it more difficult to shoulder the added costs of wellness programs—particularly the costs of hiring staff dedicated to wellness initiatives whether they use an outside vendor or not.

By far the strongest motivation for implementing wellness is the imperative to contain direct medical costs, or “bend the cost trend,” as many respondents said. A second key motivation for implementing wellness initiatives is to attempt to boost productivity and reduce indirect medical costs, such as disability claims and work-related injuries, by improving employees' health. Finally, some employers view wellness as a key part of a broader business strategy to enhance their corporate reputation and position themselves as “employers of choice” in their industries and communities. Indeed, many employers with comprehensive and highly regarded wellness programs view the broader employer-of-choice strategy as important an objective as the containment of direct

and indirect medical costs.

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## Different Wellness Staffing Models

**M**ost employers contract with either health plans or specialized vendors to provide health promotion and wellness programs. Specialized vendors were the first to develop and market wellness programs, and, for many years, they were far ahead of health plans in the range and quality of their offerings. Many respondents reported that health plans have largely caught up with third-party vendors, sometimes by acquiring these vendors, and other times by partnering with them. Some employers choose not to select a single wellness vendor or health plan, but instead to mix and match different vendors based on the perceived strengths and efficiencies of each. Employers taking this approach increasingly have required vendors to work collaboratively with health plans to share data and coordinate programs, and they reported that collaboration among vendors and plans is working increasingly well.

In-house programs—complete with physicians and other medical personnel on staff—are generally undertaken only by very large, sophisticated employers. The Dow Chemical Company, General Mills, and Johnson & Johnson are among the large employers with comprehensive wellness programs developed and operated largely by in-house wellness executives and clinicians. While it is rare, some smaller companies also have succeeded in implementing and staffing wellness programs. One such company is Energy Corporation of America (ECA), a natural gas and oil company with 300 employees, which has gained recognition for a comprehensive wellness program conducted largely in-house.

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## Types of Wellness Activities

**T**he definition of what constitutes a wellness program varies greatly from employer to employer, but the following categories of activities typically are considered to be part of wellness programs:

- risk identification tools: health risk assessments and biometric screenings, such as blood-pressure and cholesterol levels;
- behavior modification programs: health coaching, tobacco cessation, weight management, nutrition and diet, exercise, and workplace competitions/contests;
- educational programs: health fairs and seminars, and online health resources; and
- changes to the work environment: altering buildings and grounds to encourage walking, and healthier foods in workplace cafeterias and vending machines.

Experts emphasized the importance of offering a wide variety of these activities to suit a diverse range of needs and preferences among employees.

**Health Risk Assessments.** Nearly every employer with a wellness program includes a health risk assessment (HRA), a questionnaire that is used to assess an individual's current health status and health risks. According to one survey, two out of three large employers with wellness programs currently offer employees financial incentives to complete an HRA.<sup>1</sup> Most health plans now include a Web-based, self-administered HRA as part of a standard insurance product.

The content of HRAs varies widely, and the number of questions can range from as few as 20 to as many as 60 or more. What HRAs have in common is that they aim to capture many different dimensions of health risk by asking questions in categories including:

- physiological data: height, weight, and sometimes blood pressure, cholesterol level and other biometric data;
- health behaviors: physical activity, tobacco use, alcohol intake, diet, stress and sleep patterns;
- personal medical history; and
- attitudes toward health, work and life.

Web-based HRAs nearly always provide immediate, automated feedback to individuals about their health risks, including suggestions for follow-up action and health education. In addition, HRA results can be used by wellness vendors and employers to identify the levels and types of health risks in particular workforces and to shape interventions.

Some companies take the approach of classifying HRA respondents by degree of health risks. One simple construct stratifies individuals into one of three risk categories—low risk (typically 0-2 risks); medium risk (3-4); or high risk (5 or more).<sup>2</sup> Among wellness experts, there was substantial debate about whether more resources should be targeted toward interventions for higher-risk employees or whether equal attention should be focused on keeping low-risk people healthy. What most experts do agree on is that HRAs can be a valuable screening tool, but only if they are followed up by effective health coaching and wellness activities. "Making people aware of their own health risks, that's...a useful and necessary first step, but behavior change is the hard part. You can't change someone's behavior by giving them a printout of their health risks; [you need] an integrated, comprehensive health promotion program," a benefits consultant said.

**Biometric Screenings.** Some experts noted an increasing trend among employers of using biometric screenings to supplement the subjective, self-reported health information collected in HRAs. While prevalence estimates vary widely, one survey estimated that 32 percent of large employers with wellness programs currently offer employees incentives for undergoing biometric screening.<sup>3</sup> Body mass index, heart rate, blood-pressure, cholesterol and glucose levels are among the measures most commonly collected.

Biometric screenings can be conducted in a variety of settings. Most commonly, they are offered at health fairs, which are often operated by a wellness vendor on behalf of an employer. In the case of large employers, such as Pitney Bowes and Dow, that operate their own workplace health clinics, biometric screenings and other wellness activities are typically among the core services offered by those clinics. A relatively recent innovation that some employers have adopted is the installation of devices at worksites that can collect select biometric data, such as body mass index, blood pressure and heart rate. At Medtronic, the biometric information collected from those devices can be fed directly into HRAs, while at General Mills plants, the information is meant for employees as part of the company's Know Your Number campaign, a program to keep employees informed about their own key health indicators.

Because biometric screenings are relatively expensive to conduct, some employers that recognize the value of collecting the information—including public employers, such as King County, Wash.—have not been able to do so. Besides cost barriers, some employers with unionized workforces also face strong pushback from unions in their attempts to implement biometric screenings, because of privacy issues and the concern that some workers may receive unfavorable treatment based on biometric results.

**Health Coaching.** Many experts observed that much of the value of HRAs and biometric screenings lies in providing an informed framework for the health coaching that follows. Not all employers with wellness programs provide health coaching, but most experts believed that effective coaching is essential to improving health behaviors. According to one survey, about three in 10 large employers with wellness programs offer employees financial incentives for participation in health coaching.<sup>4</sup>

Coaching can be Web-based, telephonic or in-person. Because Web-based coaching is the lowest-cost approach, it is the most prevalent form of coaching, followed by telephonic coaching. Most employers rule out in-person coaching because of costs, but many experts strongly believed that it is by far the most effective means of encouraging behavioral change. Some employers—including Dow, Pitney Bowes, General Mills and ECA—provide face-to-face health coaching, primarily using their own staff clinicians at on-site health clinics. Other employers rely on wellness vendor staff or contract with local providers to conduct coaching. Dow and ECA are among the employers that aim to follow up every health risk assessment—whatever the results—with an in-person health coaching session to discuss each employee's health risks and opportunities to improve or maintain healthy lifestyles.<sup>5</sup>

One challenge facing employers with limited wellness budgets is to determine how best to deploy health coaching resources for maximum impact. Some employers focus coaching efforts solely on high-risk individuals, but there appears to be increasing recognition among employers of the importance of making health coaching available to a broader population. King County recently switched from providing telephonic coaching only to medium- and high-risk individuals to a new approach—providing Web-based coaching for all employees and spouses who want it, regardless of their health-risk status. Hannaford, the supermarket chain, makes the health counseling services of its visiting nurses available to all employees, but wellness managers do target a particular segment of the workforce—workers in the distribution centers. These workers tend to be longer-term employees who are older men with a higher prevalence of weight and blood-pressure problems than the rest of Hannaford's workforce. As a result, the company focuses on more face-to-face health counseling sessions with visiting nurses for this group than for its retail workers, who tend to be younger and healthier and not remain with the company as long.

**Behavior Modification Programs.** Closely related to—and sometimes integrated with—health coaching are programs aimed at improving health behaviors, such as tobacco cessation and weight management. A survey estimated that 40 percent of large employers with wellness programs offered employees financial incentives to participate in tobacco cessation, and 34 percent offered incentives to participate in weight management programs.<sup>6</sup>

Views about these programs vary, with some experts noting that the programs tend not to have lasting impact if they are not integrated into a broader "culture of health" by the employer. The long-term results of behavior modification programs are mixed, with participants losing weight only to gain it back or quitting smoking only to start again. According to one benefits consultant, the most effective programs "spend a lot of time understanding how [each] particular participant thinks...what it is that makes that specific individual tick, rather than just say, 'Quit smoking, because [otherwise you're] going to die.'" Several experts expressed similar views, but noted that the intensive individualized approach toward behavior modification is not at all common because of cost considerations.

Beyond tobacco cessation and weight management, a vast range of wellness programs exist, offering different types of exercise and physical activity, diet and nutrition, stress management, competitions and contests, community health events, and other activities intended to promote healthy lifestyles. While these programs are too diverse to generalize about, experts made a few common observations about wellness programs. First, they noted that employers need to change their wellness offerings over time to maintain high levels of interest and participation. "You can't be static, or it becomes boring," a benefits consultant observed. Second, wellness offerings must be varied enough to meet the needs and preferences of different segments of each employer's workforce, since different types of employees are likely to have very different motivations for wellness participation.

At General Mills, for example, programs for employees at corporate headquarters tend to stress personal growth, well-being, serenity and stress management, while programs for the sales force more often focus on contests (to call upon the competitive nature of salespeople) and commitment to the community (to appeal to their social side), and programs for supply-chain employees are closely tied to more concrete issues of safety

and ergonomics.

Competitions and contests—both at the individual and group levels—are often used by employers to promote awareness and enthusiasm about wellness, and they appear to be popular with employees. However, some experts cautioned these activities can increase participation without necessarily fostering genuine engagement or improving long-term healthy behaviors. “[Employers] need to be careful,” one wellness vendor said. “I’ve seen some competitions—whether it’s at the individual level, or it’s pitting one division against another—become all about winning and bragging rights and claiming whatever the prize is...[and] very little, if anything, to do with developing healthy lifestyles....So you need to make sure that [competitions and contests] are consistent with the aims of the program overall.”

**Changes to the Work Environment.** Most experts agreed that changing the workplace to encourage healthy behaviors is important to promote a culture of health, but they observed that relatively few employers are taking meaningful steps in this direction.

The easiest, most common steps taken by employers involve supplying nutritional information and offering healthier food choices in vending machines and cafeterias. Many experts suggested going a step further: incentivizing healthy food options by pricing them substantially lower than less healthy options in vending machines and cafeterias—a measure that has been explored at some plant locations by Dow, among other employers. At Procter & Gamble, healthy cafeteria choices are served on blue plates, and managers circulate among lunch tables handing out gift certificates to employees with blue plates. One innovation made by General Mills at its research and development facility was the introduction of “nourishment centers” that offer free healthy food. To keep this perk budget-neutral, executives reduced the catering budget for company meetings. “So instead of having muffins and cookies available at meetings, people are encouraged to stop by a nourishment center to pick up a snack prior to the meeting,” a wellness executive explained.

While these relatively simple changes have been well received by employees, employers cautioned that going one step further—by removing less healthy food choices altogether—is likely to meet with strong employee resistance. In describing a trial period during which healthy foods were increased from 30 percent to 100 percent of vending machine options, a General Mills executive observed, “We received a lot of angry e-mails.... What we learned was that...people really dislike having their choices taken away.”

Some employers are attempting to build more physical activity into the workday by encouraging more walking and use of stairs. These innovations are easiest for employers that have control over building design, particularly in new construction. Some employers are building more walking paths on their campuses and placing parking lots farther away from office buildings to encourage more walking. Employers also are sprucing up stairwells to make them a more appealing alternative to elevators. According to experts, these measures are still relatively uncommon among employers, in part because of the capital expenditures required and also because many employers still focus narrowly on specific wellness programs instead of thinking broadly about ways of changing the workplace to introduce regular physical activity into employees’ routines.

A number of employers have banned smoking entirely from their campuses, not just from office buildings. Some employers have introduced more flexibility into work schedules to allow employees to exercise. For example, Medtronic, ECA and King County are among the employers that allow workers to use on-site fitness centers during work hours. Some experts and employers, however, are reluctant to accord fitness centers too central a role in wellness programs. “You don’t want to teach [employees] that they have to go to the fitness center to exercise...any more than you want to deliver the message that the only way to eat smart and manage their weight is [by joining] WeightWatchers,” one benefits consultant cautioned.

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## Financial Incentives Key

There was widespread agreement among wellness companies, benefits consultants and employers that financial incentives dramatically increase wellness participation—for example, boosting HRA completion from 20 percent to between 50 percent and 90 percent. Cash incentives and insurance premium contribution reductions are the most common form of financial incentive; gift cards and contributions to health savings accounts or health reimbursement arrangements also are used by some employers.

Most benefits consultants and wellness vendors believed that \$100 is the “sweet spot” for an incentive for a “single instance of behavior,” such as HRA completion or participation in a specific wellness activity. There was consensus that the incentive should be paid soon after the activity is completed, so that the reward is strongly linked to successful activity completion in participants’ minds. There was also common agreement that offering incremental incentives adding up to a substantial total incentive over the course of the year is preferable to offering a large lump sum for satisfying many requirements, because the latter may be perceived as too insurmountable a barrier to generate much enthusiasm or participation among employees.

Though less common than cash, premium contribution reductions or account-based contributions, some employers link wellness participation to eligibility for certain health benefit designs. King County, which includes Seattle, was a pioneer in this wellness approach. King County offers plans with three levels of out-of-pocket cost sharing for employees: Bronze, Silver and Gold. To qualify for the Silver level—lower out-of-pocket costs than Bronze—an employee must complete a self-administered HRA. To qualify for the Gold level—lowest out-of-pocket costs—an employee also must complete an individual action plan. For family coverage, both the employee and the spouse have to complete the relevant requirements to qualify for the lower cost-sharing designs.

While King County pioneered this approach, other employers have taken it further. Manatee County, Fla.,

developed a similar three-tier benefit design, but the cost-sharing differences between the most-preferred plan and the other two are stark. While the most-preferred plan has no deductible and a \$25 copayment for office visits, the other plans both have deductibles (\$250 in the middle plan; \$1,000 in the least-preferred plan) and 80-20 coinsurance. The health assessment and wellness activities required by Manatee County are more numerous and stringent as well. For example, to reach the middle-tier plan, enrollees must complete not only an HRA, but also a wellness exam and biometric screenings. To achieve the most-preferred level, enrollees also must complete age-based screening requirements, such as colonoscopy for those over 50, and tobacco cessation and diabetes care programs, if applicable. Manatee County reported that 93 percent of its enrollees completed all the requirements to be in the most-preferred plan—a result that is perhaps not surprising, given the strong financial incentives. Similarly, after the Ford Motor Company introduced a two-tier benefit design for salaried workers—with a \$600 deductible differential between the standard and enhanced plans—HRA participation rose from 4 percent to 85 percent.

Currently, most employers offering financial incentives for wellness are tying the incentives to participation and completion of programs. However, a small number of employers are tying rewards or penalties to the attainment of certain health benchmarks, such as body mass index or blood-pressure level. These rewards can be either for improvement in the measure or attainment of certain absolute levels. Many experts do not support rewards tied to improvement, arguing that these programs fail to incentivize meaningful behavioral change. According to one expert, “The same people win every year. They lose weight. They get paid for it. They gain weight back. They lose it again. They get paid again.” Indeed, experts noted that a program that pays for improvement but does not genuinely engage employees, runs the risk of incentivizing counterproductive behavior, such as gaining weight before the start of a weight-loss competition, to make improvement and rewards easier to achieve. In addition, many experts argued that it is as important for wellness programs to focus on keeping healthy people healthy over time as it is to concentrate on those with health conditions or health risks. Programs that focus on improvement in health benchmarks typically don’t provide ways for healthy employees to become engaged.

While programs that reward employees for attaining absolute levels of health benchmarks are still rare, they have received much attention of late. For example, Safeway has received media coverage and attention from policy makers for implementing large premium incentives for its non-union workforce to remain tobacco-free and maintain healthy weight, blood-pressure and cholesterol levels.<sup>7</sup> However, experts noted that the publicity often ignores the federal regulations that control the ways these programs can be implemented, most notably the Health Insurance Portability and Accountability Act (HIPAA) of 1996. HIPAA regulations require that wellness programs satisfy five nondiscrimination requirements (see box on page 7 for more information). One of the key HIPAA provisions requires that employers provide a “reasonable alternative standard” to allow individuals who have difficulty meeting the health-benchmark standard to earn the reward (or avoid the penalty) in some other way. For example, a program requiring individuals to be tobacco-free to earn a premium discount would likely be deemed in violation of HIPAA, unless it provides an alternative, such as participation in a tobacco cessation program. Under PPACA, HIPAA provisions remain in place, except that the maximum wellness reward or penalty will be increased from 20 percent to 30 percent of the total premium by 2014. The law also allows the federal government to consider raising the maximum to 50 percent.<sup>8</sup>

In addition to limitations imposed by federal regulations, employers often face strong pushback in tying wellness incentives to health benchmarks if their workforces are unionized. Unions typically oppose rewards that are based on outcomes rather than participation because of concerns about the privacy of employee-provided health information and about potentially unequal treatment of union members by employers.

There has been growing employer interest in using penalties as opposed to positive rewards, but many experts believe that penalties are no more likely to be effective than rewards. First, wellness-related penalties would be subject to the same federal regulations discussed earlier. Smokers, for example, would have a chance to avoid a penalty by participating in a tobacco cessation program, just as they would have a chance to earn a reward. Second, some experts suggested that the distinction between penalties and rewards can be something of an illusion. As one benefits consultant observed, two alternative wellness programs—one with rewards, the other with penalties—can be designed to have the same impact on company budgets. The baseline employer contribution can be set low, with employees allowed to earn rewards for meeting benchmarks, or it can be set high, with employees being penalized for failing to meet benchmarks. One benefits consultant noted that “it’s just a matter of company culture whether to use carrots or sticks,” and several experts suggested that the stick approach may, in fact, lead to more employee mistrust and gaming of the system and less true engagement in healthy behaviors. Most employers, wellness vendors and benefits consultants said that incentives, like program features, must change over time or employees become bored and the programs become “stale.” How to change the incentives to keep employees engaged, without spending more money on incentives overall, is one of the common challenges facing employers. Some companies with limited wellness-incentive budgets deal with this issue by changing the focus of their financial incentives over time—for example, rewarding tobacco cessation efforts for a period of time and then switching to rewarding flu shots in a subsequent period.

Despite the consensus that financial incentives are necessary to encourage substantial wellness participation, it

is important to note that at least a few employers have successfully bucked the trend. One prominent example is Dow, which has maintained a comprehensive health assessment and wellness program for many years, without any financial incentives beyond providing wellness activities at no charge. According to one Dow executive, “We’re skeptical about programs where [employees] need to be paid to take the HRA, and then need to be paid for every step afterward.” Under Dow’s approach, employees are encouraged to take voluntary HRAs, which include biometric screenings, and are granted time off during regular work hours to do so. The HRA completion rate is 85 percent to 90 percent, even though there is no financial reward. Dow executives said the company consistently communicates to employees that having a healthy, productive workforce is central to the company’s business strategy and that health is a shared responsibility of employer and employee.

### HIPAA Nondiscrimination Requirements

What are the five requirements for wellness programs which base a reward on satisfying a standard related to a health factor?

- The total reward for all the plan’s wellness programs that require satisfaction of a standard related to a health factor is limited—generally, it must not exceed 20 percent of the cost of employee-only coverage under the plan. If dependents (such as spouses and/or dependent children) may participate in the wellness program, the reward must not exceed 20 percent of the cost of the coverage in which an employee and any dependents are enrolled.
- The program must be reasonably designed to promote health and prevent disease.
- The program must give individuals eligible to participate the opportunity to qualify for the reward at least once per year.
- The reward must be available to all similarly situated individuals. The program must allow a reasonable alternative standard (or waiver of initial standard) for obtaining the reward to any individual for whom it is unreasonably difficult due to a medical condition, or medically inadvisable, to satisfy the initial standard.
- The plan must disclose in all materials describing the terms of the program the availability of a reasonable alternative standard (or the possibility of a waiver of the initial standard).

*Source: Excerpts from the U.S. Department of Labor’s FAQs about the HIPAA Nondiscrimination Requirements at [www.dol.gov/ebsa/faqs/faq\\_hipaa\\_ND.html](http://www.dol.gov/ebsa/faqs/faq_hipaa_ND.html)*

### Eligibility

Other experts and employers—even those who take a different approach on financial incentives—strongly endorsed Dow’s point about the need to communicate with employees openly and honestly about mutual wellness goals. One benefits consultant commented, “It helps tremendously if [company] leadership doesn’t try to pretend that [wellness] is just good for employees.” Several experts agreed, stressing that in order to succeed, wellness strategies have to be clearly linked to business outcomes. As one expert said, “If you have mistrust in the organization, if you have business problems, if your business is not solidly built on fundamental principles and on good products, don’t even waste your time on wellness. The reason people join a company is to carry out a mission that provides personal profitability [as well as] profitability to the organization. If you don’t have that, don’t waste your efforts on a wellness program.”

For example, in workplaces where the employer has not addressed environmental hazards or other occupational safety issues, wellness initiatives, such as tobacco cessation, are unlikely to be taken seriously by workers. In another example cited by a benefits consultant, when wellness programs are implemented by companies in financial trouble, “There’s really zero chance of it paying off in better health [and] lower costs. When [employees] are preoccupied with downsizing, and who’ll get the pink slips next...In that kind of [work environment], how can you expect anyone to change their health behaviors? If they participate [in wellness programs] at all, it’s to pocket a quick reward.”

Even for healthy companies without such issues, employers and experts agreed that it is a challenge to find ways to foster meaningful, ongoing communication about wellness that keeps the message fresh and keeps employees engaged. Some companies put a great deal of effort into initial communication when wellness programs are rolled out but fail to keep up these efforts. Consequently, they see a waning of employee interest and participation. Other employers outsource communication to wellness vendors—an approach generally considered much less effective than having in-house staff shaping and delivering the wellness message.

There was consensus that senior leadership within an organization has an essential role to play in communicating effectively about wellness programs. One prominent example was former King County Executive Ron Sims, who championed the county’s wellness program at a time when few employers had adopted such strategies. His involvement was widely credited with achieving union buy-in and attaining high participation rates, also at a time when most unions were adamantly opposed to wellness programs.

In addition to strong senior leadership, nearly all experts agreed that wellness programs need leaders—often called “wellness champions”—within the company ranks to help raise awareness and enthusiasm and maintain engagement in wellness. Some champions, such as human resources representatives or safety coordinators,

may have formal wellness responsibilities included as part of their core job assignments; other champions are volunteers who lead communications and activities related to wellness even though these responsibilities are not part of their “day jobs.” It is the latter group, according to many employers, that often provides the critical peer support needed to improve and maintain healthy behaviors among coworkers.

Many experts pointed out that soft incentives can be at least as powerful as financial rewards in fostering engagement in wellness. These soft incentives include “company recognition that helps people feel good about their own lives and what they’re doing. They take time and energy and shouldn’t be neglected,” according to a General Mills executive. General Mills, ECA and King County are among the employers whose newsletters regularly profile employees who have successfully improved their healthy behaviors and health. Other forms of recognition include awards given to employees who have contributed to health promotion and wellness, such as the Making a Difference award that Dow confers on its informal wellness champions each year. Soft incentives can also provide motivation and enthusiasm when given at the group level—for example, recognition as the best site or best department in a wellness competition.

Experts stressed that—similar to the need to diversify wellness program activities—strategies to communicate with employees regarding wellness need to be both varied and targeted, because most employers have diverse workforces that receive and process information in different ways. Employees who work in isolation, have lower-education levels or who lack access to computers or proficiency with computers are among those especially hard to reach. For such employees, e-mail announcements and Web-based screening and educational tools have marginal impact, and employers have to find alternative approaches for increasing awareness and participation. In King County, for example, county bus drivers and custodians were particularly hard to reach. The county’s wellness staff has been able to improve participation by making presentations at meetings where bus drivers pick their routes and by placing notices about wellness activities on drivers’ seats at the start of each shift. For custodians, staff translated some wellness materials into other languages.

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## Key Employer Challenges

In addition to the challenges already discussed, employers face other key challenges. Chief among these is the need to develop effective strategies for improving wellness for dependents as well as employees. As one expert noted, “Almost [every employer] starts out a wellness program with only employees eligible [to participate]. But soon they realize that employees are only about 40 percent of the health care cost dollars, so if you want to improve health care costs, you have to get to dependents.” Several companies with highly regarded wellness programs for employees have struggled with how to expand the programs successfully to employees’ families. As one wellness executive said, “I haven’t figured out how to reach families without spending just a ton of money and energy. I don’t know how to get at spouses and dependents efficiently and well.”

Most employers that include spouses in wellness programs find that communicating with spouses and engaging them in wellness is much more difficult than with employees. King County, for example, has found that participation in HRA completion and wellness activities is lower and medical cost trends are higher for spouses than for employees. Companies that include spouses in wellness programs are attempting to identify accommodations they can make to ease access for family members. ECA, for example, schedules biometric screenings to take place over multiple days, including evenings and weekends, to facilitate access for working spouses.

Overall, however, employers continued to struggle with the issue of providing wellness programs to dependents, in part because communication strategies that can prove effective within the company—for example, strong peer support from wellness champions—cannot readily be extended beyond the company’s own workforce. Similarly, comprehensive initiatives to create healthy work environments, such as facilitating physical activity and providing healthy foods at worksites, have yielded promising results for some companies but do not reach beyond the company campus.

Because most employers with wellness programs are primarily motivated by the need to moderate health care cost trends, they tend to focus such programs on employees who have health insurance coverage through the company. There was less interest in employees who are uninsured or hold coverage from other sources, since such employees do not contribute to the company’s medical costs. However, some employers take a broader view—making programs available to all employees, regardless of their insurance status, because of an interest in keeping employees productive and in enhancing the company’s reputation as an employer of choice. One example is Hannaford, which gives all its employees access to the complete set of wellness activities, including sessions with the visiting nurses/health counselors who rotate among the grocery stores and other worksites. In explaining this policy, a Hannaford manager said, “We want people not only to see this as a company but as a place where they can make a career.”

Public employers often have strong motivation to implement wellness programs, because their employee turnover is typically low, and many public employers are more likely than their private-sector counterparts to maintain early-retiree benefits. As a result, public employers have a strong stake in improving and maintaining long-term employee health. At the same time, when public employers do implement wellness programs, they face numerous statutory and administrative barriers that are not issues for private companies. For example, private employers can decide to offer WeightWatchers at Work with little fuss or red tape, but in the case of a public employer like King County, county wellness managers have to negotiate hurdles such as fair-bidding requirements and rules on the use of public space when bringing a private contractor on board.

Another challenge confronting public employers is that their workforces tend to be highly unionized, and labor unions historically have regarded wellness programs—especially those with incentives attached—with mistrust.

This is a challenge shared by private employers in some highly unionized sectors such as manufacturing. Certain wellness programs have gained a measure of acceptance from some unions, which acknowledge that cost trends are unsustainable and view wellness programs not only as a palatable alternative to benefit reductions but, in many cases, also as an added benefit for participants. However, wellness programs with strong incentives tied to health outcomes are still strongly opposed by union leaders, who view the programs as unproven, disadvantageous to a subset of workers and potentially counterproductive.

Finally, putting in place strong governance for wellness programs poses another key challenge for employers. In some companies, senior management is heavily involved at program inception but does not maintain meaningful oversight over time. Under a program with strong governance, a senior management team would receive and review reports on wellness participation and outcomes on a regular basis and have the opportunity to work with wellness vendors or in-house staff to identify and change program aspects that are not meeting expectations.

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## Government Regulations Affecting Wellness

Nearly all experts and employers viewed HIPAA regulations guaranteeing the privacy of employee health records positively and noted that compliance was straightforward, given competent wellness vendors. HIPAA was not reported as a hindrance to companies using in-house staff working directly as health coaches and counselors to employees. At employers such as ECA, Dow, and General Mills, employees sign waivers that allow company clinicians to see the results of HRAs, biometric screenings and other health data and discuss these with employees.

Another aspect of HIPAA discussed earlier was the nondiscriminatory requirements. These are viewed by most experts as providing necessary protections to employees against unfair selection or discrimination on the basis of health. According to some benefits consultants, there are employers who reportedly would like to strengthen incentives for achieving health benchmarks—for example, by pushing the federal government to relax HIPAA rules relating to the reasonable alternative standard.

Another federal law affecting wellness programs is the Genetic Information Nondiscrimination Act of 2008 (GINA), which restricts the ability of employers and insurers to collect and disclose genetic information, including family medical history. Under GINA regulations issued in 2009, if there is a financial incentive offered for HRA completion, then the HRA is not allowed to contain questions about family medical history. If there is no incentive offered, the HRA may ask about family medical history. Some experts and employers believed GINA regulations are hindering the collection of valuable information and argued that HIPAA privacy regulations were already sufficient to protect employees from the wrongful use of information about family medical history. Nevertheless, the GINA regulations have “certainly had the effect of scrubbing HRAs clean of questions about family medical history,” according to one benefits consultant.

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## Impact of Wellness Programs

Accurately measuring the impact of a wellness program is one of the most difficult challenges facing employers. Respondents observed that there is no single industry standard for measuring return on investment (ROI) on wellness programs. Two types of ROI are typically estimated: “hard ROI,” which measures savings in direct medical costs only, and “soft ROI,” which also includes productivity gains from such factors as reduced absenteeism.

Several years ago, it was not uncommon for wellness vendors to “make extravagant ROI claims (in the region of 5:1) to market their wellness programs—claims they weren’t able to deliver on,” according to an expert. The result was disillusionment by some early adopters in the employer community. Today, ROI expectations have been scaled back, although one skeptical expert contended that some wellness vendors still “screw around [with the numbers] until they get a 3:1.” Because there is no single, universally accepted method for calculating ROI, it is important for employers—before implementing their wellness programs—to scrutinize alternative ROI calculation methods and reach agreement with their vendors about which ROI method to use.

Several benefits consultants suggested that an employer implementing a wellness program should be ready to take a loss on hard ROI in the first year or two, break even in the next year or two, and begin to see reasonable returns in the fourth and fifth year. Employers unwilling to accept this timeline should think twice about undertaking wellness initiatives, cautioned benefits consultants and several wellness vendors. A recent meta-analysis aggregated peer-reviewed controlled studies of employer wellness programs and reported an average 3.27:1 return in the form of reduced medical costs over three years and 2.37:1 in reduced absenteeism costs over two years.<sup>9</sup> Respondents’ estimates varied for ROIs for mature wellness programs, but several experts suggested that the most effective programs—“the ones that do practically everything right”—might ultimately yield hard ROIs in a range between 1.25:1 and 4:1. One prominent benefits consultant was more cautious, arguing that for wellness to generate positive ROIs, “employers must increase the employee share of premiums and return those dollars as wellness incentives. If employers keep premium contributions unchanged, and add in new dollars for incentives, the ROI is pretty much wiped out, in our calculations...The math doesn’t work out too well.”

Among the many challenges in measuring ROI, the first is to account for all program costs, including the costs of staff diverted from other uses and the costs of incentives. Another challenge is that sample-size constraints limit valid measurement. One expert argued that “the vast majority of employers aren’t large enough to do credible measurement...If you have [only] 5,000 employees, you don’t have a large enough sample size for most of these programs to offer statistical credibility in measurement.” Yet another challenge is selection bias,

since participation in wellness does not tend to be random. Instead, these programs tend to attract healthier employees, thus biasing attempts to compare differences in health outcomes and cost trends between participants and non-participants.

Isolating the impact of wellness initiatives is further complicated by the fact that these programs are seldom implemented by employers in a static environment. In particular, employers seeking to contain costs often introduce significant benefit design changes at the same time that they roll out wellness programs. As a result, whether intentionally or not, some ROI calculations mistakenly attribute utilization and cost reductions to wellness when these changes might have been caused by a change in benefit design or other factors.

Because of these challenges and limitations in estimating ROI, alternative measures of impact are commonly used. The first method estimates the difference between the employer's projected health care cost trend without a wellness program and the actual cost trend with the wellness program in place. This difference approximates the "ability to bend the cost trend," with the ultimate objective of "zero trends"—that is, moderation of health cost trends to the point that they increase no faster than inflation.<sup>10</sup> Employers who take this approach of estimating the difference between projected and actual cost trends often benchmark their trends against those of similar companies in their community or in their industry. However, making accurate comparisons may be complicated by differences in workforce or benefit design changes, among other factors.

Another increasingly common approach to measuring impact is to examine what proportion of an employer's population has low- vs. high-health risks and how those proportions change over time. Dow, for example, tracks multiple risk factors ranging from biometric data, such as blood pressure and cholesterol levels, to self-reported measures ranging from stress to fat intake. Of the company's three top-priority risk areas of tobacco use, physical activity, and body-mass index, between 2004 and 2009, there was a 4 percent increase in the number of low-risk people for tobacco use, a 23 percent increase in low risk for physical activity, and a 23 percent increase in low risk for BMI.

Several employers with comprehensive wellness programs emphasized the importance of considering the broader impact, including the effects that wellness have on employee loyalty and satisfaction and on enhancing the firm's reputation and brand. While such effects are difficult to estimate precisely, employers that take this broad-based approach do attempt to track these dimensions through internal and external surveys. For example, King County has distributed a random-sample survey to its employees each year since wellness implementation, and wellness managers reported using the results to guide changes to the wellness program.

Employers are increasingly using risk-based contracts with wellness vendors in an effort to increase accountability. The types and magnitude of performance guarantees vary widely. According to one employer, its wellness contract makes 7 percent to 10 percent of vendor fees contingent upon producing timely and accessible reports and achieving certain participation levels and member satisfaction results. A benefits consultant reported helping employers negotiate more sizable and demanding performance guarantees from vendors: "[The contract] might have 5 [percentage] points for achieving a threshold of utilization measures for hospital claims and ER visits per thousand employees. We might put 5 points for improvement in clinical compliance; e.g., if there's a diabetes program, we want to see 5 point improvement in treatment and 10 point improvement in retinal exam compliance. We want a trend differential. And 5 points for member satisfaction, [with 25% at risk overall]."

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## Key Takeaways

**A**mong the common themes that emerged from interviews with industry experts and especially with employers sponsoring wellness programs, the following stand out:

***Programs need to be customized to suit the culture and situation of a particular employer:*** One-size-fits-all programs purchased off-the-shelf from health plans and wellness vendors are unlikely to make a significant impact either in participation or outcomes. Least likely to make an impact are programs consisting only of online HRAs and Web-based educational tools, with no individualized follow-up activities to engage employees.

***Clarity from senior leadership in linking wellness to the organization's business strategy is important:*** Organizations with successful programs tend to have senior leaders whose championing of wellness is tempered by reasonable expectations and accompanied by an ability to communicate clearly and honestly with employees about shared goals and responsibilities of health and wellness. In contrast, selling wellness to employees as initiatives for their sole benefit, or selling wellness in an environment of discord or financial turmoil, are likely to be futile. Mutual trust is key to effective wellness programs.

***Effective, ongoing communication is essential at several levels:*** In addition to strong messaging from senior leadership, successful programs tend to have both dedicated wellness staff and informal champions within the company who are able to raise awareness, boost enthusiasm and provide peer support. Communication must be both ongoing and updated to keep the message fresh and keep employees engaged. Effective communication typically cannot be outsourced to a vendor.

***Programs that are comprehensive, integrated and diversified stand the best chance of success:*** Behavior modification programs offered in isolation don't have a strong track record. Participants who quit smoking or lose weight often revert to former behaviors. Without broader interventions to change the work environment and promote a culture of health, wellness programs are unlikely to make a lasting impact. Because most employers have diverse workforces and because individual needs and preferences differ, wellness programs work best when they span a wide range of activities.

**Most believe financial incentives are essential, but compelling exceptions exist:** The consensus in the wellness industry was that substantial cash incentives are needed to achieve strong participation, and these incentives should be designed to incrementally reward discrete activities that improve or maintain health. However, some employers operate successful programs with minimal or no cash rewards attached and believe such rewards to be counterproductive in causing employees to focus on the incentive rather than on health. Employers with successful programs emphasized the importance of non-financial incentives, such as corporate and peer recognition for wellness achievements.

**Return on investment is uncertain and measurement poses many challenges:** Employers should expect to invest in wellness for several years before achieving a positive ROI, if at all. Employers looking to wellness as a quick fix for high health costs are those least likely to see positive returns, as they are also the least likely to have undertaken the measures to gain true employee engagement in health. There are many challenges in accurately capturing ROI or alternative measures of impact, and because wellness programs are often implemented simultaneously with other benefit changes, isolating the impact of wellness programs on an employer's cost trends may not be possible.

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## Policy Implications

While the wellness provisions in the new reform law have been viewed favorably by employers,<sup>11</sup> many in the wellness industry and the employer community argue that PPACA has not gone far enough in facilitating workplace wellness programs. These proponents argue that the federal government should subsidize wellness programs through employer tax credits. However, the evidence to date suggests that the gains from wellness programs are too uncertain to justify broad taxpayer-supported subsidies. In addition, for companies with low employee turnover, most positive gains resulting from wellness programs would be captured by the companies themselves through lower health spending and higher productivity. High-turnover companies are much less likely to invest in the kinds of customized, integrated, comprehensive, diversified wellness programs likely to reap positive returns.

The reform law's wellness provisions also include \$200 million in grants to allow small businesses (with fewer than 100 employees) to implement wellness programs. And, as noted earlier, the reform law raises the possibility of increasing maximum wellness incentives to 50 percent of premium costs, if the change is deemed appropriate by the secretaries of the U.S. Treasury, Labor, and Health and Human Services departments. Until employer-sponsored wellness programs have been thoroughly evaluated to determine their impact—as PPACA requires the Centers for Disease Control and Prevention to do—policy makers may want to proceed cautiously when making policy changes that either limit protections for individuals in workplace wellness programs or increase government financial support for these programs.

## Notes

1. Towers Watson/National Business Group on Health (TW/NBGH), *Raising the Bar on Health Care: Moving Beyond Incremental Change*, Washington, D.C. (2010).
2. Edington, Dee, *Zero Trends: Health as a Serious Economic Strategy*, Ann Arbor, Mich. (2009).
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4. Ibid.
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6. TW/NBGH (2010).
7. Bensinger, Gail, "Corporate wellness, Safeway style," *The San Francisco Chronicle* (Jan. 4, 2009); Hilzenrath, David, "Misleading claims about Safeway wellness incentives shape health-care bill," *The Washington Post* (Jan. 17, 2010).
8. The Patient Protection and Affordable Care Act (Public Law No. 111-114), Section 2705 allows maximum wellness incentives to be raised to 50 percent of premiums if the secretaries of Health and Human Services, Labor, and Treasury deem it appropriate; Schuman, Ilyse, "Health Care Reform Provides Support for Wellness Programs," *Healthcare Employment Counsel Blog* (May 14, 2010). Available at <http://healthcareemploymentcounsel.com/employee-benefits/federal-laws/health-care-reform-provides-support-for-wellness-programs>.
9. Baicker, Katherine, David Cutler and Zirui Song, "Workplace Wellness Programs Can Generate Savings," *Health Affairs*, Vol. 29, No. 2 (February 2010).
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## Data Source

In addition to performing literature reviews, the HSC researchers conducted a total of 45 telephone interviews with wellness industry experts and representatives of benefits consulting firms, health plans, wellness

*companies and employers sponsoring wellness programs. A two-person research team conducted interviews between September 2009 and May 2010. A semi-structured interview protocol was used in conducting each interview, and notes were transcribed and jointly reviewed for quality and validation purposes. The interview responses were coded and analyzed using Atlas.ti, a qualitative software tool.*

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**National Institute for Health Care Reform**  
c/o Center for Studying Health System  
Change  
600 Maryland Ave, SW #550  
Washington, DC 20024

tel: 202-484-5261  
fax: 202-484-5261  
[nihcr@hschange.org](mailto:nihcr@hschange.org)