

# The GOOD, The Bad & The Possibilities of Outcomes-based Incentive Programs

by Linda Duffy



As support for prevention and wellness programs continues to grow, so does the debate on the use of outcomes-based incentive programs. Numerous national surveys have shown that only a minority of health plans currently contain this approach, yet it is a growing trend among employers of all sizes. If a company successfully navigates the legal minefields of the Genetic Information Nondiscrimination Act (GINA), the Health Insurance Portability and Accountability Act (HIPAA) and a myriad of workplace legal protections, key questions still remain for benefit planners. First and foremost, is this approach cost effective and will it significantly improve the health of the workforce? Second, and a more emotionally charged issue, is the question of fairness.

Having worked in corporate wellness for over 25 years, we gained a greater appreciation for the arguments brought forward by both advocates and critics of this approach. Outcomes-based incentive programs are not for the feint of heart, or for those looking for a quick fix. Key elements need to be in place before a company can even begin to implement this plan design and it will take a few years to demonstrate significant impact on healthcare costs. However, outcomes-based incentive programs can serve to increase traditionally low participation in wellness programs, reward healthy people to stay healthy and generate higher rates of improved health outcomes.

### **The Good of Outcomes-based Incentive Design**

After years of implementing disease management, smoking cessation and weight loss programs, a

glaring, programmatic gap became apparent. What were we doing to keep well employees, well?

This became an even more profound question after reading *Zero Trends: Health as a Serious Economic Strategy*, by Dr. Dee Edington, PhD. A key point of his research strongly suggests that in order to disrupt the trend of ever increasing health costs and morbidity, an important strategy is to keep individuals with low health risks from becoming individuals at high risk.

No surprise that most healthy people view outcomes-based incentive programs in a positive light. Pure and simple, it is a reward for staying healthy. Do some of the “genetically gifted” individuals earn incentives despite engaging in unhealthy behaviors? Absolutely. But, more often than not, we saw outcomes-based incentive programs encourage healthy, young people to participate in wellness programs and increase their interest in preserving their good health.

Meaningful incentives also can move high-risk employees to participate. Incentives designed to reward progress toward the standard targets of weight, blood pressure, etc., not just an all or nothing approach- either healthy or not, is an important attribute of a successful program. Employers increase the odds of sustained health improvement, when they give employees realistic, attainable health goals and the resources to achieve them. Outcomes-based incentives hold people accountable and rewards results, not just participation. Better health outcomes translate into lower healthcare costs.

### **The Bad of Outcomes-based Incentive Design**

Much has been written about intrinsic vs. extrinsic motivation, which targets to use for which biometric tests, and how does readiness to change fit into an outcomes-based incentive model that rewards change, ready or not? If executed poorly, there is no question that this approach can be viewed as invasive and heavy-handed.

Many critics of outcomes-based incentives are also plan participants who believe that despite their healthy lifestyles, they are unable to meet the established target(s) for earning the reward. They believe that health status (especially theirs) is more likely determined by genetics, rather than lifestyle choices. If an outcomes-based incentive program doesn't reward progress towards standard health targets and excludes opportunities to also be rewarded for participatory activities, engagement

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levels in this population can be low.

Another undesired consequence of an outcomes-based incentive program, is the possibility that individuals earn the incentives by methods which couldn't be further from the behavior changes we want to see. Rapid weight-loss, abstinence from nicotine only for the time needed to score negative on a cotinine test, and other manipulations of the screening results are possible when the goal is to earn the reward, rather than make a sustained, long term behavior change. Fortunately, the majority of individuals don't engage in this type of behavior; but those who make an effort and fail can be treated the same as those who make no effort (the genetically gifted individuals), or worse yet, the individuals who manipulate their biometric results.

The law requires that there is a reasonable alternative standard for

individuals who are medically unable to meet whatever targets are set in the program. Oftentimes, this includes collecting a waiver from the employees' healthcare providers. This can be a lengthy and labor-intensive process.

In addition, many healthcare providers object to screening apparently, healthy individuals on an annual basis in order to qualify for a premium reduction or an increased employer contribution to a health savings account. Successful implementation of outcomes-based incentive programs requires education and outreach to community providers.

### **The Possibilities of Outcomes-based Incentive Programs**

Offering a well-constructed outcomes-based incentive program can be a strong differentiator for health

plans. However, it must be integrated with a comprehensive wellness program that offers knowledge, skill building, policy and environmental components.

At a minimum, outcomes-based incentive programs must meet these five legal standards:

1. Must be reasonably designed to promote good health or prevent disease.
2. The maximum reward or penalty is limited to 20% of the cost of coverage (increasing to 30% in 2014).
3. Participants must be given at least one chance per year to earn the reward.
4. Plan participants who cannot meet the standard target due to a medical condition must be offered a reasonable alternative standard.



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5. The outcomes-based incentive program must be included as part of the group health plan and be disclosed in the summary plan description.

More importantly, we learned that regardless of the plan design, the secret to success for any major benefit change is in the implementation. The fundamentals must be in place. Communications must be frequent and transparent. Corporate leaders must serve as role models. The work environment must make healthy choices, the easiest choices. Once the basics are in place, outcomes-based incentive programs may represent a key strategy in healthcare cost containment, if implemented correctly. ■

Linda Duffy works at Attune Health Management developing their corporate wellness programs and services. Prior to joining Attune Health Management in 2012 as the Chief Health Strategist, Linda Duffy was the Director of the Health, Benefits and Employee (HBE) Services organization at Sandia National Laboratories, a self-insured employer with over 30,000 covered lives.

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