

Paying for Participation: Measuring the Results

Benefits-integrated incentives give health, lifestyle and chronic condition coaching enrollment a shot in the arm

Experts recommend carrots for good health

When it comes to integrated health management, dangling the right carrot is the best bet for healthy program enrollment.

Like the proverbial horse that is led to water and never takes a drink, many eligible individuals never participate in health, lifestyle and chronic condition coaching programs offered by their employers or health plan providers. The key is to determine which incentives will trigger the best response from any given employee or member population.

A recent survey by Hewitt Associates noted that organizations have increasingly embraced the need for incentives to encourage enrollment in programs. According to the survey of 960 large employers, use of financial incentives/disincentives increased from 14 percent in 1993 to 40 percent in 2002.¹ Common incentives range from reimbursement for behavior modification programs to cash rewards for participating in a health risk assessment.

According to Roger Reed, Gordian Health Solutions' Executive Vice President of Market Operations, determining the right incentives takes a thorough examination of the client culture and an understanding of what drives its employees or members. With more than 30 years of experience in healthcare, Reed is

an expert at digging deep into an organization's culture; his research in employer-based health improvement has been published in the *American Journal of Health Promotion*, *Nursing Times*, *Fitness in Business*, *The Journal of Family Practice*, *The Personnel Journal*, *The Journal of Occupational Medicine*, *Business and Health*, *Corporate Commentary* and *Surgical Services Management*.

Incentives for participation in an integrated health improvement program may be as minimal as a company key chain for completing the assessment questionnaire, or as rich as a reduced payroll deduction for health benefit premiums. Integrating health management program incentives into the company benefits program draws a clear line connecting the value of the program to individual effort toward better health habits.

The success of the 401(k) plan model laid the groundwork for other employee/employer investment partnerships; plans that offer an employer "match" to funds contributed by the employee entice individuals to set aside more for retirement. According to the 2001 Transamerica Retirement Survey, employees who were offered a retirement plan that included an employer match were twice as likely to participate.² In the same way,

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health improvement programs that tie participation to lower healthcare premiums spur individuals to “invest” in the program.

Where do you begin? Gordian Health Solutions begins the process of matching the right incentive to the right program by first implementing a health risk assessment of the population in question using their proprietary Personal Health Analysis. The analysis evaluates past and current health risks and chronic disease conditions, as well as the related medical claims costs, through the use of Gordian’s proprietary Retrospective Claims Analysis (RCA). The company then projects the potential savings that can be achieved if risk-reduction efforts are put in place.

The RCA is a look backward at medical claims experience, filtering actual claims into three categories: claims with a definite relationship to an unhealthy lifestyle; minor claims that could have been handled at home with a self-care guide, rather than a doctor visit (self-care claims); and chronic disease claims (relating to the top 21 chronic disease states). Gordian then quantifies these costs and helps determine what educational and coaching programs would have the greatest impact on reducing the most common and costly issues.

Reed says this analysis is significantly different from the typical claims report available from a health plan, which reveals only the most costly general claims categories an organization faces.

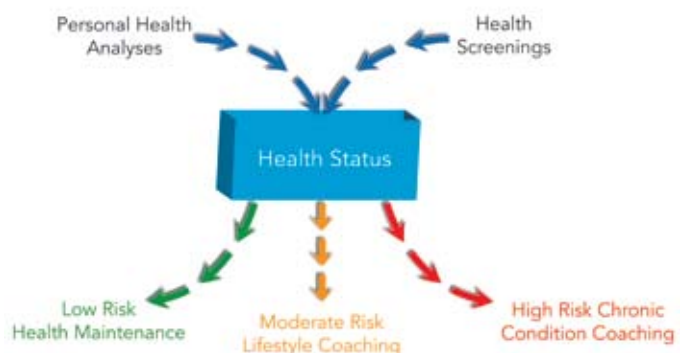
“Those reports don’t give specifics about how the money is actually being spent,” Reed says. “For instance, you might know how much you’re spending on maternity care, but

you won’t know how much of that spending has resulted from poor prenatal health or low birth weight babies. And what part of the cardiovascular health category can you make an impact on? Unless you break those numbers down to disease states and behavior changes, all you know is what you’re spending.”

The RCA reveals opportunities for improving the health of the population. An organization is then able to knowledgeably select which of the most costly conditions to aggressively target for improvement.

“It’s like looking at an iceberg: The tip above the waterline is only a fraction of the whole,” Reed says. Healthcare claims represent a small segment of total population health, and looking only at such claims ignores the majority of individuals who aren’t filing claims—yet.

Managing costs beyond the “tip of the iceberg” Health status analysis also includes the use of health risk assessments to reveal population health across the board—from those who are at no risk, to those at moderate risk, to those at high risk. Gordian’s health risk assessment, the Personal Health



Analysis (PHA), is a self-reported questionnaire addressing key lifestyle factors, personal medical history, gender-specific issues, readiness to change and self-efficacy. Optional clinical values are often incorporated into the PHA, such as blood pressure, lipid values, glucose, body fat and others. Each person taking a PHA receives a personal wellness report of his or her health status and risk factors. PHA results in the aggregate provide a bird's-eye view of total population health.

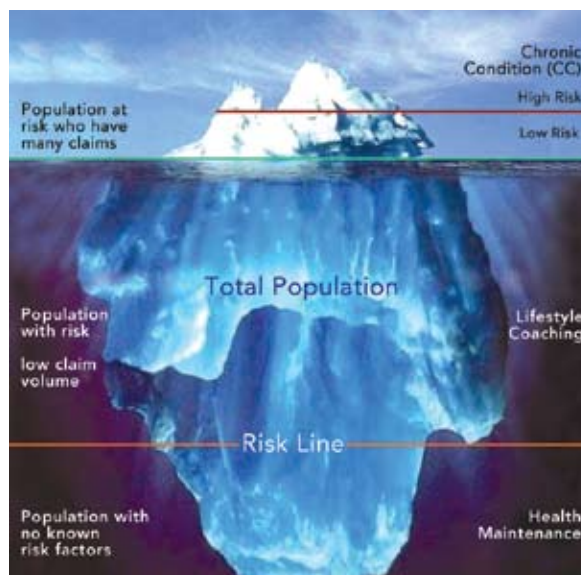
Combining PHA and RCA results uncovers the entire iceberg, allowing the organization, in partnership with the integrated health management firm, to go forward with a clear basis for program design.

“Once we understand what our targets are and which parts of the population we will focus on, then we start to look at incentives strategies,” Reed says.

Gordian—a pioneer in the “incentive management” field Organizations new to integrated health management may believe that simply offering the program is incentive enough for people to enroll. To some degree, this is correct; according to Reed, between 14 percent and 20 percent of individuals will take part in the program with no incentive offered.

However, because the overall success of the program hinges on the level of participation, it's important to engage more than just those who volunteer immediately—especially because these individuals are usually the healthiest segment of the population.

“Those who are already health conscious and engaged in improving their health will jump all over such opportunities,” Reed says.



As the value of incentives increases, participation increases. And because the organization benefits most from greater participation, it's worth the expenditure to offer incentives that will attract those with the most to gain from the program.

“You have to understand the pain threshold for a particular population—what will be the dollar amount that works, that they can't resist,” Reed says. “And we can't tell you the right number until we sit down with you, talk with employees or members and figure it out.” In addition to interviews with management and individuals, Gordian sometimes uses focus groups to tailor incentives around employee or member responses.

Gordian is in the business of designing and managing incentives to encourage participation in health and lifestyle coaching programs. To encourage PHA completion, experience has shown that most companies should begin with a cash incentive, the amount of which can vary significantly from company to company.

Benefits integration ensures a higher level of participation because it attracts and rewards both healthy and unhealthy individuals.

For instance, Reed says one client, a blue-collar manufacturing group, offered a \$20 incentive in employee paychecks to complete the PHA, with a return of 80 percent participation. But a white-collar company offered its scientist employees \$100 to fill in the PHA, and only 20 percent participated.

Increasing participation through benefits-integrated incentives

“A certain percentage of individuals will participate for the incentive alone—about 40 percent on average—but you don’t really get their attention until you start touching their paychecks,” Reed says. Gordian strongly encourages its clients to integrate incentives into employee or member benefits, and has seen participation rates rise to between 70 percent and 90 percent with this method.

Benefits-integrated incentives are financial incentives that are incorporated into the insurance premium structure (payroll deduction amount) for all employees and for spouse premiums (if spouses are included in the program). The incentives are designed as a discount to each pay period’s premium rate, based on voluntary participation in the health improvement program.

Benefits integration ensures a higher level of participation because it attracts and rewards both healthy and unhealthy individuals. Many of Gordian’s clients currently use benefits integration.

The regularity of a discounted payroll deduction for participation is a reminder that the health improvement program offers value. For non-participants, the regular payroll reports showing that they are paying higher health premiums are an incentive to join the

program—thus becoming eligible for the discounted premium rate.

“The more immediate the incentives are, the greater the participation,” Reed says. “For example, if an employer tells its employees they’ll receive something at the end of the year for participation in the program, it won’t work. They will forget that in two weeks. Delayed incentives only work for a certain kind of individual.”

How much incentive is too much? Gordian works with organizations to set a reasonable discount amount that adds value for participants, but isn’t so large that it can be perceived as punitive by those who don’t participate.

Benefits-integrated incentives also lead individuals to become vested in the process—at a time when many organizations wonder how to erase the perception of health benefits as an entitlement—and personally reconnect individuals to the healthcare purchasing process. Reed says, “If I say to an individual, ‘Your health insurance cost is going to be a different price based on whether you participate in this program,’ it makes her think, ‘Do I want to spend money on higher premiums, or do I want to save money and improve my health?’”

And for those individuals who have been health conscious all along, rewarding that behavior is a welcome change. “They are ecstatic when they are finally recognized for what they’ve been doing,” Reed says.

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Six Things You Need To Know

About Health Status Analysis and the Use of Incentives

Organizations considering integrated health management should judge success by the numbers: The higher the participation rate, the higher the return on investment due to reduced absenteeism, higher productivity and lower claims costs. Investment in programs and materials will yield few long-term results if participation flounders.

Following are six questions about health status analysis and incentive management to ask when considering an integrated health management vendor.

1

Does the vendor consider individual health status as well as population health status?

The vendor should tell you how it will incorporate individual health risk assessment results with the results of the claims analysis (predictive modeling or retrospective analysis) in order to develop a comprehensive health and lifestyle improvement program. Additionally, the experience and technical capability to link participation requirements to company health benefit programs through payroll integration is an important vendor attribute.

2

Does the vendor offer a true Retrospective Claims Analysis? Many vendors don't have the ability to provide true RCAs, and instead rely on a typical report from claims administrators (TPAs). While these reports provide general expenditure categories, they do not supply enough detail to make good decisions about a population's current health and its future lifestyle and health improvement program needs, potential savings, or anticipated risks. Before doing business, ask for a sample of the report(s) that will be generated.

For a fairly large population, one year of claims information is sufficient to obtain a clear baseline if the vendor has the analytical capabilities necessary to provide potential savings targets by categories, populations and programs. For smaller companies, the vendor should analyze three years' worth of data.

3

How specific is the vendor's health risk assessment report to each individual? Is the vendor's system agile enough to create individualized reports that delve into each participant's readiness to change, as well as to identify areas for behavioral change and potential disease states? A good health risk assessment generates a report that is so specific, no two are exactly alike.

4

Does the vendor offer a benefits-integrated incentive program with an IT platform that allows it to interface payroll deduction with participation in the program?

Also important from the standpoint of a national employer group or a Fortune 500 company would be the firm's data analysis capabilities. Vendors should have the ability to deliver data sets and analysis that withstand scrutiny. Reports should be useful to organizations in supporting their case with the company CEO and CFO, clearly demonstrating ROI and providing information for truly "managing" program effectiveness.

5

Does the vendor have the ability to identify savings opportunities across the whole population? Many vendors focus on the "tip of the iceberg," or the portion of the population with chronic disease, ignoring the low-risk and high-risk individuals who aren't yet filing large claims, but who are on course to file in the future. While it's important to help those with chronic illness better manage their health (as they are the heavy claims filers), it is more cost effective to reduce risk across the entire spectrum through behavior modification and lifestyle changes.

6

Does the vendor offer a plan and incentives that will work with the population?

The vendor should have experience identifying employee or member patterns and working within various cultures. Choose a vendor that offers experience and an understanding of the impact of incentives. Delayed incentives, health education and behavior modification programs that are inconvenient for individuals to join, or pose overwhelming expectations for improvement, will lower participation rates and undermine the impact of the program.

References

[1] Hewitt Associates survey, “Health Promotion/Managed Health Provided by Major U.S. Employers in 2002-2003.”

[2] Peter A. Welsh, JD, CPA, “Employee Interest in Enhanced Benefits Offers Marketing Opportunity to Financial Consultants,” *Journal of Financial Service Professionals*, July, 2002.

About Roger W. Reed, BSN, RN, FNP, PA Executive Vice President, Market Operations, Gordian Health Solutions

Roger Reed has more than 30 years experience in the healthcare industry and is a nationally recognized leader and strategist in health promotion and wellness. A registered nurse, family nurse practitioner and physician’s assistant, Mr. Reed was author and project director of two W.K. Kellogg Foundation studies that are considered benchmarks in the field of health promotion. The studies, “Health Promotion Service - Evaluation and Impact Study” (1985) and “Health Promotion Service - Evaluation and Impact Study” (1990), evaluated the effectiveness and cost-benefit of BlueCross and BlueShield of Indiana’s employee health promotion program over a period of 10 years.



Prior to joining Gordian in 1998, Mr. Reed was a partner in SLR Ventures Inc., a healthcare venture company that founded five successful healthcare-related companies during a span of seven years. His previous experience includes family practice, geriatrics, substance abuse treatment, health promotion management and research, health-care administration and healthcare network development.

Mr. Reed is a frequent speaker at national healthcare industry events. His research has been published in the *American Journal of Health Promotion*, *Nursing Times*, *Fitness in Business*, *The Journal of Family Practice*, *The Personnel Journal*, *The Journal of Occupational Medicine*, *Business and Health* and *Corporate Commentary*.