

## Using Incentives to Keep Workers Healthy

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### Using Incentives to Keep Workers Healthy

Employers are offering a range of incentives to encourage employees to adopt and maintain healthy behaviors, such as losing weight and quitting smoking.

by Katherine H. Capps and Jeri G. Kubicki

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The deep economic recession and the potential for health reform on the horizon are combining for a uncertain climate in the employee health benefits arena. As companies cut budgets, reduce production and call for furloughs, the future is becoming uncertain for programs designed to keep employees healthy. But a growing body of knowledge is documenting the success of employer efforts to improve employee health and reduce costs through proactive health and productivity management programs.

In today's climate, health benefits professionals must carefully assess the value of investment in these programs. Careful evaluation must also be made of the program incentives—whether cash, gift cards, health insurance premium reductions or merchandise—that drive program engagement.

Programs to keep employees healthy and enhance productivity are now moving mainstream, gaining traction in most policy discussions of public health care reform. With President Barack Obama's political sights set on passage of a reform plan by the end of 2009, the White House has embedded within the new budget eight principles for health reform, among them "investment in prevention and wellness."

#### Tweaking Programs

This year, for the third year in a row, Health2 Resources, in partnership with the National Association of Manufacturers, surveyed small, mid-size and large employers to reveal the many facets of employee health programs and incentive strategies. The new survey report, "How Employers Use Incentives to Keep Employees Healthy: Perks, Programs and Peers," answers the key questions employers want to know: how much companies invest, which programs are leveraged the most, key challenges employers face for implementation, and the relationship between incentives and return on investment. Companies with as few as 10 and as many as 141,000 employees responded to the survey.

We found that employers are taking a dynamic approach to the design of programs and the application of incentives to keep their workforces healthy and productive. Tough economic times are indeed moving employers to tweak programs and adjust incentive and program structures. But despite the economic downturn, most companies continue to offer programs to keep employees healthy, and two out of three of these companies offer incentives to boost participation and goal achievement. The use of incentives in today's health and wellness programs is almost uniformly believed, by employers of all sizes and with and without programs in place, to boost program success and return on investment.

The 2009 survey marked the first time we queried employers about extending health and wellness programs to spouses and family members. More than half of employers offering programs include spouses, and a third offer programs to other family members. New questions about primary care revealed that more than half of employers actively encourage the use of primary care through health and wellness programs.

Among our key findings, we discovered the following:

- More than two out of three companies—large, mid-size and small—offer formal health and wellness programs, down slightly from 2008. Disease management program offerings remain virtually the same as in 2008. (The decline found in this survey is likely due to the smaller size of companies contained in the sample that was surveyed.)
- Perks matter. Two-thirds of companies—large, mid-size and small—offer incentives with their health and wellness programs. And the value of incentives is on the rise, averaging \$329 in 2009 and ranging from \$1 per pound for weight loss to annual health insurance premium reductions valued at more than \$1,500. The most commonly used incentive is premium reductions, followed by merchandise/small tokens and gift cards.
- The health risk assessment (HRA) is the entry point into programs that keep employees healthy and manage chronic illness. Two out of three employers—large, mid-size and small—offer an HRA to employees, and nearly three out of four of those offer incentives to take it. Incentives to take the HRA range up to \$300 annually, with about 10 to 15 percent exceeding \$300.
- Smoking cessation programs are the most popular health and wellness programs offered. More than half of employers surveyed (53 percent) offer smoking cessation to employees, but weight management and physical activity programs are not far behind.
- Diabetes programs are the most popular disease management programs offered. Among employers that offer disease management programs, 92 percent offer diabetes programs.

- Size does matter, but it doesn't dictate the value of incentives. Among large employers, a bigger percentage offer programs and incentives when compared to small and mid-sized companies. But some organizations with as few as 210 employees are offering incentives valued at \$1,450 per year to keep employees healthy, well above the average.
- Peers and health champions encourage participation in worksite-based programs. Incentives often work hand-in-hand with team support and volunteer efforts to generate employee engagement. More than eight in 10 employers say that "generating buzz" is an important reason to offer incentives.
- Outcomes count. The percentage of companies measuring return on investment for health and wellness programs has sharply increased over the years, from 14 percent in 2007 to 73 percent in 2009. Some 83 percent of those who have measured say the programs return a better than 1:1 investment. Health and behavior risk improvement outcomes are also measured. In growing numbers, employers are rewarding goal achievement during and after health and wellness program completion.
- Challenges wane. Motivating employees over time remains the top challenge to health and wellness programs, followed closely by measuring program effectiveness. But among both employers with programs and those without, nearly every challenge to offering programs has lost intensity.

#### Creating a Culture of Health

The tight economy is necessarily focusing employer attention on the here and now, and the cost of providing health care benefits looms large on the company balance sheet. Wise investment in health promotion and risk reduction is increasingly linked to the positive financial outcomes companies seek in a down economy.

The 2009 survey indicates that the national movement to enhance consumer access to primary care as part of a coordinated entry point into the health care delivery system—the patient-centered medical home model—is finding support among employers. The survey reveals most employers are continuing to invest in employee health management by creating a culture of health through strong communication efforts and by infusing programs with peer support. Expanded perks and tailored programs are working to meet the health risk reduction goals of specific employee populations.

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