

Five strategies for transforming incentive design



Employer incentives

For years, employers have offered incentives to encourage employee engagement in health and wellness programs. In 2009, 78 percent of employers were providing incentives — today, almost all employers (87 percent) provide health and wellness incentives.¹

Incentives take on many forms and have different purposes. Today's employers are leveraging incentives to drive engagement, create a culture of health, decrease the financial burden of a high deductible or reduce premiums. When used strategically, incentives can be very powerful; however, when used tactically, they can fail to deliver a meaningful return on investment.

This white paper will explore:

Current incentive design practices

Effectiveness of incentives

Five ways that incentive design can evolve to enhance engagement

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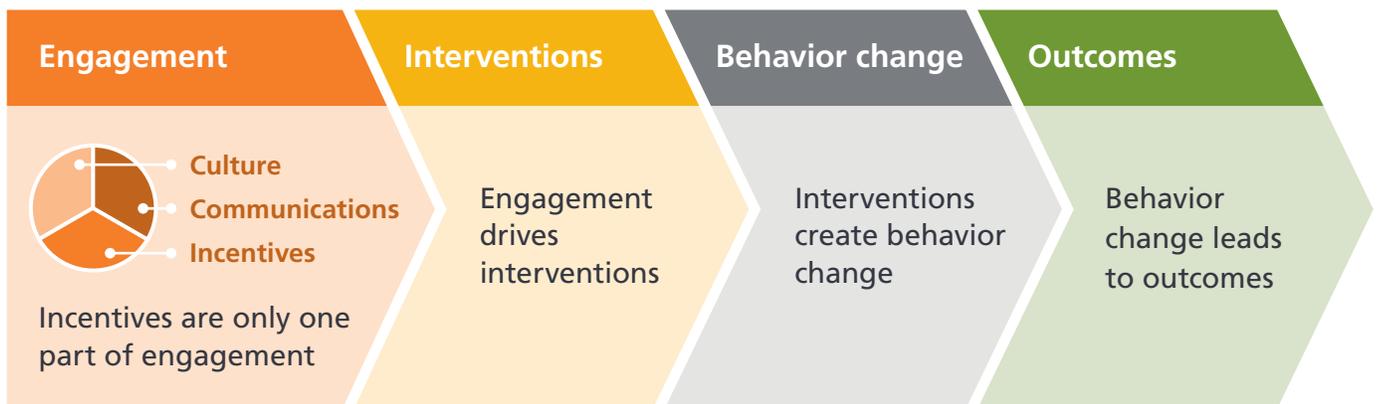


Incentives to promote health and well-being

When health and wellness incentives were first conceived years ago, employers primarily leveraged small, token gifts in hopes of increasing program participation. Today, incentives are often part of a sophisticated engagement strategy that includes significant financial rewards.

It is important to understand first that incentives are just one element of an overall engagement strategy, along with comprehensive communications and a supportive culture.

Incentives, by themselves, are not wellness programs or long-term behavioral change agents. Rather, incentives should be designed to stimulate engagement with programs that help change behavior, which in turn drive better health outcomes.



Current incentive design practices

Today's incentive designs are focused primarily on three engagement metrics:

1 Increasing participation in health and wellness programs



2 Improving health awareness



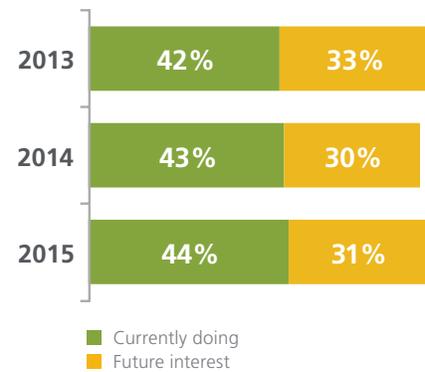
3 Achieving health outcomes



The relative mix of these goals has remained fairly stable over time. Interestingly, we have yet to see a rapid expansion in the latter — providing incentives to attain specific health outcomes. In fact, a leveling off in this approach may be occurring because of a lack of data consistently connecting incentives to improved outcomes.¹

Achieving health outcomes

Percentage of employers rewarding for achievement of specific health outcomes¹

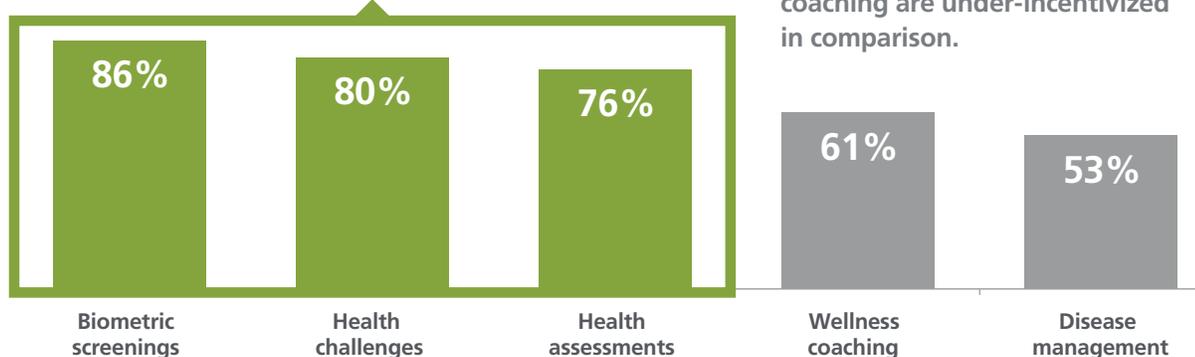


Note: Of those who offer incentives

What activities are employers rewarding?

Currently, incentives are typically used to drive greater health awareness among individuals, such as rewarding employees for completing a biometric screening or health assessment.¹

The top three incentivized programs are primarily individual, awareness-building activities.

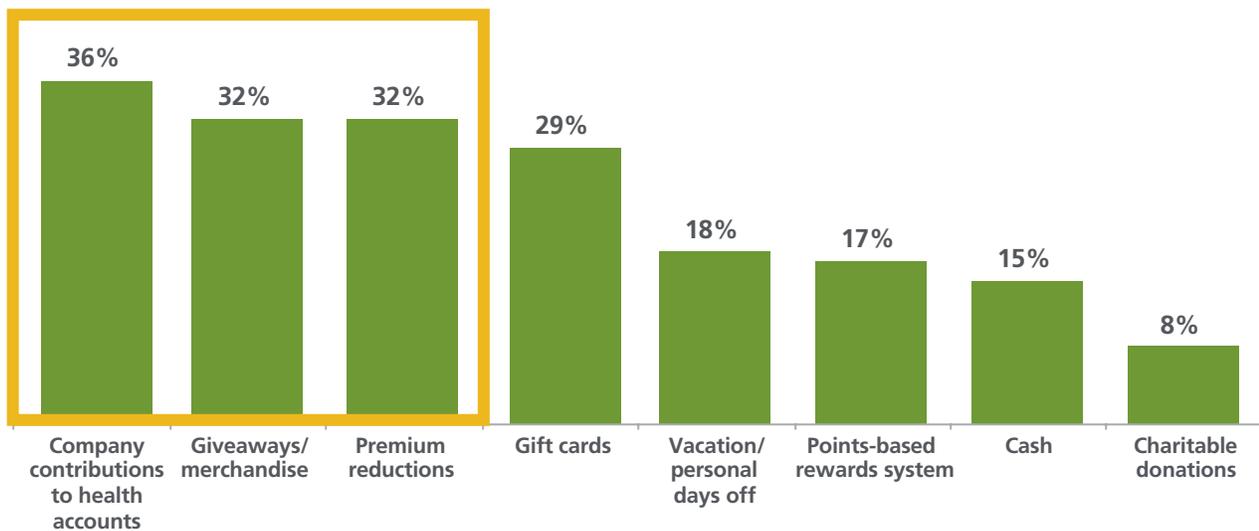


Behavior change programs like disease management and wellness coaching are under-incentivized in comparison.

What type of incentives do employers leverage?

Health insurance premium reductions, health account contributions and merchandise giveaways are the most common incentives offered to employees, according to the Optum® “7th Annual Wellness in the Workplace Study.” However, insights from behavioral science have demonstrated that the closer the reward (or consequence) to the action (or behavior), the more likely the behavior is to occur. As a result, such incentives may have diminished impact if they are provided only once or twice a year — resulting in delayed recognition. For example, participating in a health fitness challenge this year will yield a premium reduction next year.

Incentives offered to workforce¹



How effective are incentives?

Optum conducted a two-year study of employees ages 18–64 to assess the impact of financial incentives on participation in health assessments, biometric screenings and telephonic wellness coaching programs.² The study also analyzed whether incentives affect health outcomes as measured by reductions in health risks. Two groups of employees were compared. Both groups had access to health and wellness programs, but only one group received financial incentives.

INCENTIVES → An effective tool for driving participation

The study found that incentives can be an effective tool for driving participation in one-time, awareness-building activities. For instance, nearly 25 percent of the group receiving incentives participated in health assessments, compared with 9 percent of those not receiving incentives. Participation rates for biometric screenings were higher for the group receiving incentives (37 percent) compared with those not receiving incentives (9 percent).²

Incentives may be an effective tool for driving participation in one-time activities. However, there is little evidence to suggest that incentives drive participation in longer-term behavioral change programs such as wellness coaching. Similarly, the connection between offering incentives and achieving outcomes, such as health risk reduction, appears slight. While it still makes sense to reward for enrolling in coaching or condition management, future incentive designs might involve lower value but more frequent incentives in addition to using different motivators to encourage enrollment in such programs.

Today's incentive designs are not as effective as they could be. It's time to rethink our approach.



Next-generation incentive design

Optum has identified **5** key strategies for transforming incentive design.

1 Incorporate nonfinancial rewards

Although financial rewards are still a critical motivator for employees and should not be abandoned, employers might strive to find a better balance between financial and nonfinancial rewards. Consider extending your existing incentive strategy.

A next-generation approach to incentives emphasizes how to motivate and engage employees because of the perceived intrinsic value in the effort, rather than because of external incentives. Transitioning from solely extrinsic financial rewards towards social recognition of intrinsically motivated behavior will pave the way for long-term behavioral change.

Sample nonfinancial rewards

- Social recognition from peers and managers
- Tangible recognition such as certificates and plaques
- Providing more resources to a division
- Having an end-of-the-week party or a casual dress day
- Preferential parking



2 Expand group-based benefits

Incorporating group-based as well as individual rewards is another way to generate greater value from incentives. Rewarding an employee with a premium discount for achieving an outcome like lower blood cholesterol certainly benefits that individual employee but doesn't help build a firmwide culture of health.

An alternative might be to give all employees an extra paid-time-off day if 70 percent of the entire workforce completes a health assessment, or if the workforce as a group collectively walks 100,000 miles. These kinds of incentives help build culture, strengthen peer support, improve transparency and make the activities more enjoyable.

Group-based incentives may also help employers comply with federal wellness program guidelines because individual employees who are unable to reach a specific goal — lowering their body mass index (BMI) or cholesterol, for instance — would not be penalized.

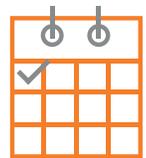


3 Recognize total well-being



There are many definitions of well-being; however, the general concept is a holistic approach to health that encompasses domains of physical, mental, emotional, social, career and financial. Expanding the boundaries of health to include measures of well-being, quality of life and financial security is a great place to start. For example, consider rewarding employees who have completed an advanced medical directive or have met with a financial counselor. Volunteering with a local social organization or donating to a charitable organization could also be recognized.

4 Don't delay rewards

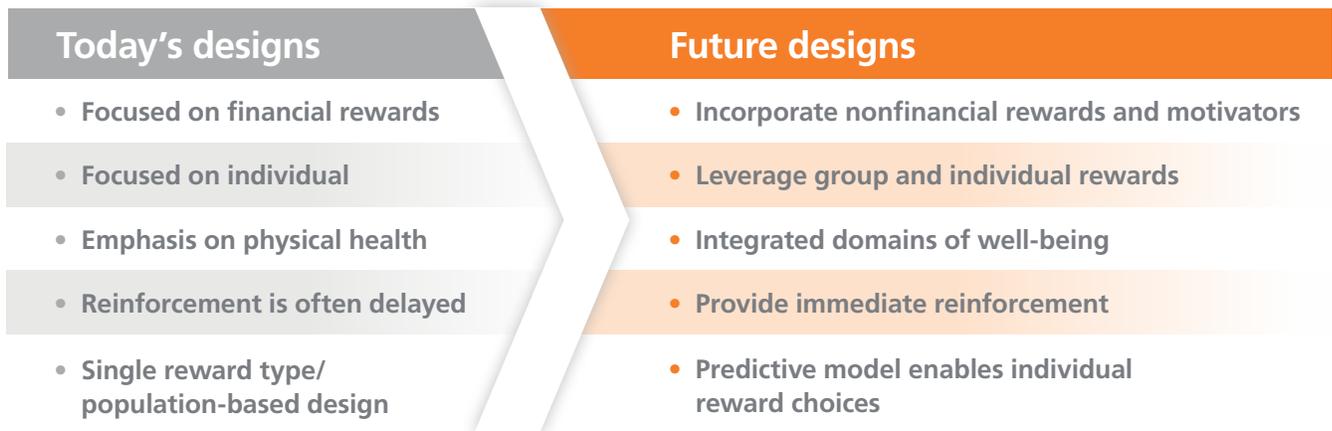


Providing more immediate rewards is also important. Behavior change is directly related to reward proximity, so if employees know they will receive a benefit soon after completing a task, they are more likely to do it. Examples include digital currency or gift cards that can be used to shop online immediately after an activity or outcome is achieved. Companies should start to mix these short-term rewards with longer-term rewards such as reducing next year's premiums.

5 Make it personal



Accounting for individual variation in response to incentives is also key. For example, one person might need to create a personal budget and meet with a financial counselor, while another person's priorities are to change his or her diet and lose weight. Activities should be individualized based on what is relevant to each employee from both a personal and clinical perspective. In the future, predictive models and intelligent recommendation engines will be used to determine what types of incentives each employee responds to and how to vary the frequency of incentives to keep them motivated.

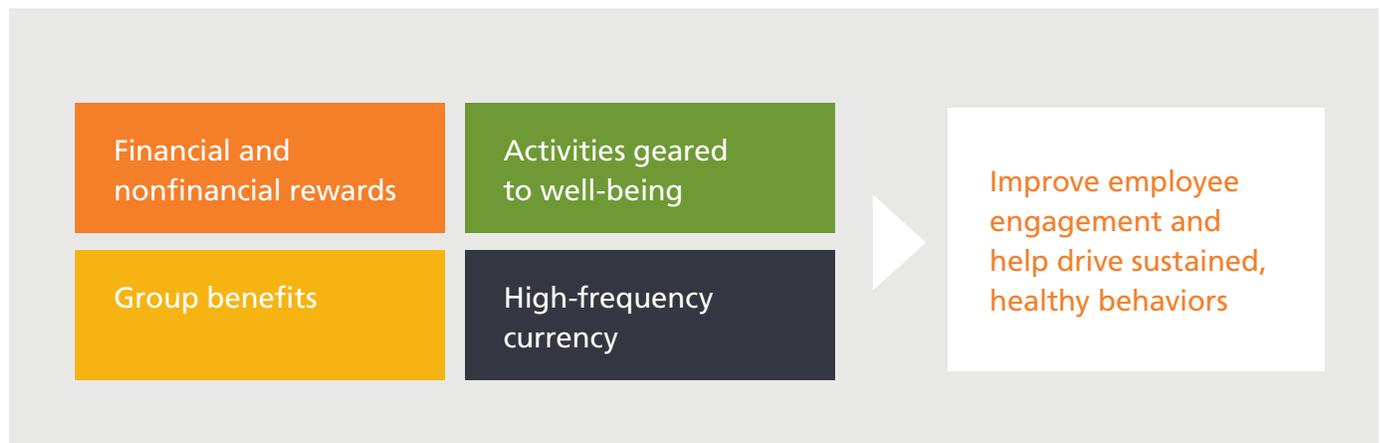


Where to start ...

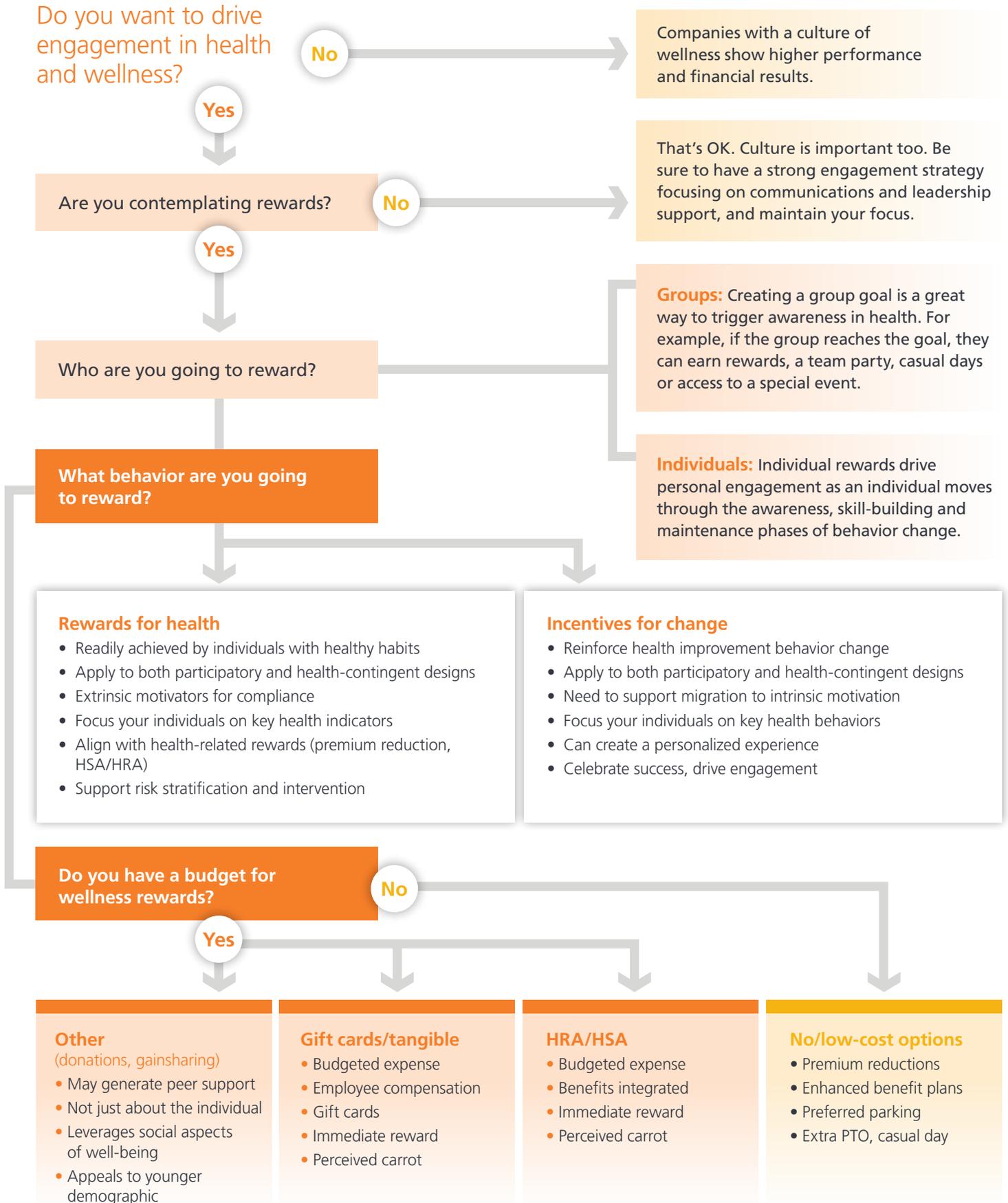
We understand that most employers aren't ready to fully adopt all of our suggested next-generation strategies. In the interim, employers can strive to blend current practices with tomorrow's tactics. For example, while still having a premium deduction in place at the end of the year, companies can also leverage more frequent, nonfinancial rewards throughout the year.

Concluding thoughts

Incentives have proven to be an effective tool to increase program participation. But, as applied today, their usefulness may be limited in driving long-term behavioral change. The next generation of incentives will incorporate financial and nonfinancial rewards, group benefits, activities geared to well-being, high-frequency currency and be tailored to individual needs and motivators, which in turn improve employee engagement and help drive sustained, healthy behaviors.



Incentive design: Strategic decision roadmap



Contributors

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Serxner brings the breadth of his experience in academia, industry and consulting to his role as chief health officer, Optum.

Serxner earned a master of public health from the University of California, Los Angeles, and a doctorate from the University of California, Irvine, where his research focused on health promotion and disease prevention in social ecology. He is a board member, executive committee member and vice president of the C. Everett Koop Health Project. He also sits on the editorial review board of the *American Journal of Health Promotion* and edits and is a reviewer for peer review journals such as the *Journal of Occupational and Environmental Medicine* and *Health Affairs*.

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Kitrell provides expertise in wellness program reward design and Optum technology to drive engagement with client initiatives. Prior to joining Optum, he spent over 20 years in engagement marketing with an emphasis on designing consumer and employee initiatives for Fortune 1000 organizations. His background includes business development, operations, product management, and developing and deploying multi-tenant platforms.

Brian Oss

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Oss has nearly 20 years of incentive consulting and consumer engagement experience. He has been with Optum for five years leading Digital Health Consulting, working to develop customized incentive strategies aimed at increasing consumer engagement.

Prior to Optum, he was an incentive/loyalty consultant for financial services, professional sports, telecom and retail.

References

1. Optum "7th Annual Wellness in the Workplace Study."
2. Optum Book of Business Research, 2013/2014, Health Rewards customers.

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