

Results-based Wellness Programs: Further Expansion Under Health Reform?

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Thanks to final regulations issued in 2007 by the U.S. Department Labor, employers are permitted to include wellness programs in group health plans that apply financial rewards (or penalties) to employees based on their healthy (or unhealthy) lifestyle habits. The effect is added teeth for employers to create plans with consequential incentives for employees to adopt healthy lifestyles and break unhealthy habits. Moreover, health care reform proposals currently under consideration may further sharpen those added teeth.

Chronic Conditions

Employers continue to face crippling increases in health plan costs, primarily due to rapid growth in preventable chronic health conditions among employees. According to the U.S. Centers for Disease Control and Prevention's Chronic Disease Overview:

- The profile of diseases contributing most heavily to death, illness, and disability among Americans changed dramatically during the last century. Today, chronic diseases—such as cardiovascular disease (primarily heart disease and stroke), cancer, and diabetes—are among the most prevalent, costly, and preventable of all health problems;
- In 2005, 133 million people, almost half of all Americans, lived with at least one chronic condition;
- The medical care costs of people with chronic diseases account for more than 75% of the nation's \$2 trillion medical care costs;
- The direct and indirect costs of diabetes are \$174 billion a year;
- The estimated direct and indirect costs associated with smoking exceed \$193 billion annually;
- In 2008, the cost of heart disease and stroke in the U.S. was projected to be \$448 billion;
- During the past 20 years there has been a dramatic increase in obesity in the United States. In 2008, only one state (Colorado) had a prevalence of obesity less than 20%. Thirty-two states had prevalence equal to or greater than 25%; six of these states (Alabama, Mississippi, Oklahoma, South Carolina, Tennessee, and West Virginia) had prevalence of obesity equal to or greater than 30%.

HIPAA Nondiscrimination and Wellness Programs

Generally under the nondiscrimination rules included in the Health Insurance Portability and Accountability Act (HIPAA), an individual cannot be denied eligibility for benefits or charged more for coverage because of any health factor. Under the 2007 wellness program rules, however, employers may condition rewards and penalties on an individual satisfying a standard related to a health factor. For example, a reward or penalty may be applied depending on whether an employee's blood pressure reading falls within a certain acceptable range. Wellness programs that condition a reward on an individual satisfying a standard related to a health factor must meet five requirements described in the final rules in order to comply:

1. The total reward is limited – generally, it must not exceed 20 percent of the cost of employee-only coverage under the plan (or 20 percent of the cost of the coverage in

which an employee and any dependents are enrolled if dependents may participate in the wellness program).

2. The program must be reasonably designed to promote health and prevent disease.
3. The program must give individuals eligible to participate the opportunity to qualify for the reward at least once per year.
4. 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.
5. 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).

Market Initiatives

To date, relatively few employers have taken advantage of rules allowing results-based wellness incentives. Most corporate wellness programs still reward employees based on effort alone – for example, enrolling in smoking cessation programs, regardless of outcome. Many employers may fear employee backlash against a results-based initiative and compliance with the alphabet soup of related laws (e.g., ADA, ERISA, COBRA, GINA, and state laws). Probably the highest profile and most vocal company making use of the rules allowing results-based wellness incentives is Safeway Stores, the large supermarket chain. Safeway's "Health Measures" plan has marked differences in employee premium contributions that reflect each covered employee's lifestyle behaviors. The plan emphasizes personal responsibility by focusing on tobacco usage, obesity, blood pressure and cholesterol levels. Employees with screening values within established limits or who achieve year-to-year improvements in the values enjoy reduced premium contributions. The company asserts that its per capita health care costs have remained essentially flat since introduction of its results-based wellness incentive program.

BeniComp Advantage, Inc. has successfully marketed and administered an innovative deductible reimbursement supplemental group insurance product that delivers HIPAA-compliant, results-based wellness incentive solutions to employers. The supplemental plan works in conjunction with any base high deductible health plan by giving employees the ability to earn their way to a lower "net" deductible as they lower their personal health risks. The results of voluntary health screenings are used to determine dollar amounts of supplemental insurance available to each employee for deductible reimbursement. Health screens typically included in BeniComp's programs are tobacco usage, body mass index, blood pressure, LDL cholesterol, and glucose. Benton County Arkansas introduced the BeniComp program for its 450+ employees in 2006 and saw sharp decreases in its total health plan costs during the first two years.

Additional vendors are emerging who focus on design and administration of results-based wellness incentive programs for employers. These firms specialize in customizing incentive

designs for employers, coordinating employee screening events and results reporting, linking to available wellness activities and programs that facilitate lifestyle behavior change, and overseeing program compliance with all nondiscrimination regulations.

Cost Savings Experience

Much of the initial employer cost savings under a results-based wellness incentive program springs from targeted shifts of more premiums or health care costs to employees who persist in unhealthy lifestyle habits. These are tangible savings dollars harvested by the employer from day one. Employers have also observed some of their employees – those with poor screening results or refusing to participate in screening – dropping coverage and presumably moving to a spouse’s plan. In addition, “bending down” of the future cost trend curve is expected as employees faced with higher out-of-pocket expenditures because of failed screens work to break unhealthy lifestyle habits in anticipation of next year’s screening, concurrently lowering their risk of chronic health conditions.

Actual results of consecutive years’ screenings for a sample of BeniComp’s groups are somewhat mixed in regards to improvement in the number of employees with screening values falling within the “critical” ranges where lifestyle modification is vitally important. The sample included 43 employer groups with 7,640 employees covered under BeniComp Advantage who participated in screenings in each of the two most recent years’ screening events.

Encouraging results are seen in movement of employees from critical to non-critical ranges. Modern prescription drug treatments allow relatively easy reduction of Blood Pressure and Cholesterol values to non-critical ranges. Body Mass Index and Tobacco Use are more “sticky” and require a higher degree of personal discipline to move out of critical.

Positive Change: Critical in 1st Period to Non-Critical in 2nd Period

Measure	“Critical” Value	Number of Critical Employees in 1 st Period	Number of Those Moving to Non-Critical in 2 nd Period	Percentage Moving to Non-Critical
Body Mass Index	≥ 30 kg/m ²	2,469	256	10.4%
Blood Pressure	> 140/90 mm Hg	1,010	656	65.0%
LDL Cholesterol	> 160 mg/dL	497	220	44.3%
Tobacco Use	Positive	1,697	168	9.9%

On the other hand, some “backsliding” is seen among non-critical employees in the 2nd period.

Negative Change: Non-Critical in 1st Period to Critical in 2nd Period

Measure	“Non-Critical” Value	Number of Non-Critical Employees in 1 st Period	Number of Those Moving to Critical in 2 nd Period	Percentage Moving to Critical
Body Mass Index	< 30 kg/m ²	5,171	334	6.5%
Blood Pressure	≤ 140/90 mm Hg	6,630	473	7.1%
LDL Cholesterol	≤ 160 mg/dL	7,143	314	4.4%
Tobacco Use	Negative	5,943	167	2.8%

Overall, the profile of the entire cohort of 7,640 employees showed fewer critical Blood Pressure readings, but more critical values of Body Mass Index and LDL Cholesterol, and little change in Tobacco Use.

Mixed Message: Change in Number of Criticals

Measure	“Critical” Value	Number of Critical Employees in 1 st Period	Percentage Critical in 1 st Period	Number of Critical Employees in 2 nd Period	Percentage Critical in 2 nd Period
Body Mass Index	≥ 30 kg/m ²	2,469	32.3%	2,547	33.3%
Blood Pressure	> 140/90 mm Hg	1,010	13.2%	827	10.8%
LDL Cholesterol	> 160 mg/dL	497	6.5%	591	7.7%
Tobacco Use	Positive	1,697	22.2%	1,696	22.2%

These results have implications for proper design of results-based incentives that keep all employees on course toward healthier lifestyle habits.

Health Care Reform

The health care bill approved by the Senate Finance Committee contained the “Safeway amendment” which would increase wellness program rewards from 20% to 30% of the cost of employee-only coverage under the plan, and would allow the Secretaries of Health and Human Services, Department of Labor, and Department of the Treasury the discretion to increase the reward up to 50% of employee cost. The amendment was passed by a vote of 18 to 4 in committee. This contrasts with repeatedly stated goals of health care reform of creating a system in which no one can be denied coverage or charged higher premiums based on their health status. However, President Obama has publicly singled out for praise companies including Safeway who “...are able to take initiatives to make their employees healthier, to give them incentives and mechanisms to improve their wellness and to prevent disease...” Look for continuing growth in results-based wellness programs.