The Affordable Care Act (ACA) encourages employers to implement wellness programs that reward workers for good health, and nearly two in five U.S. organizations (38%) that responded to the International Foundation’s recent Workplace Wellness Trends Survey say ACA has increased their emphasis on and interest in wellness.

Nearly four in five organizations with wellness initiatives offer incentives. Already, more than one in ten offer incentives up to the full 50% of coverage limit for tobacco cessation, and nearly one in five offer incentives up to the full 30% of coverage limit ACA allows for other health standards/activities.

This new era of workplace wellness is not all fun and games, however. The Equal Employment Opportunity Commission (EEOC) has litigation pending against multiple employers over their potentially discriminatory and “nonvoluntary” application of wellness incentives under the Americans with Disabilities Act and/or other legislation.

Many employers eager for solutions to control health care costs have voiced frustration with EEOC efforts to limit the use of incentives.

Others, concerned some efforts go too far and ultimately discriminate against workers, call attention to the fact that health is affected by age, disability, genetics and socioeconomic factors.

Stakeholders on both sides have called on EEOC to define what constitutes a voluntary wellness program rather than simply resort to litigation. Federal guidance is said to be forthcoming (and may already be available by the time of reading).

While health care cost escalation seems to have calmed momentarily, rate increases are still outpacing inflation and employers continue to hunt for solutions.

Many employers view wellness incentives as one solution. Nearly 85% of employers in the Foundation survey describe their incentives as successful, and nearly nine in ten with health-contingent incentives say their overall workforce reaction has been positive. Many employers actually cite premium incentives as their most successful wellness initiative (see Quick Look on p. 11).

In Foundation wellness program focus groups, member employers commonly raise the issue of dispersed worker populations (the second biggest barrier to wellness success cited on the survey, after the difficulty of workers finding time). Traditional on-site wellness programs (e.g., screenings, walking programs, fitness centers) have little value when workers are spread across multiple job-sites. In these cases, the carrot/stick incentive approach tied to health care costs often is regarded as the only realistic wellness solution. However, EEOC is not alone in its reservations about wellness incentives. About two-thirds of organizations (65%) without health-contingent incentives say they are unlikely or unsure about adding these in the future. The main reasons organizations don’t offer these incentives are (1) the potential negative impact on employee culture/stress and (2) application of the incentive could be considered unfair or discriminatory.

As with most worker benefits and initiatives, wellness incentives are not one-size-fits-all, cut-and-paste solutions. Culture fit is crucial. For instance, in 2012 the introduction of a wellness incentive/penalty program at Penn State University triggered negative
publicity for stirring up animosity and resentment among workers. A Kaiser Family Foundation survey released last July found 74% of workers believe it is not appropriate for employers to charge employees more because they fail to meet certain health-related goals.

The devil may ultimately be in the details—Participation- or activity-only incentive programs with an opportunity to reduce current premiums are likely to be safer albeit costlier bets than outcome-based programs with surcharge penalties. About one-quarter of organizations with insurance-based wellness incentives are classified under ACA as using health-contingent outcome-based incentives, and carrots outweigh sticks about two to one.

Academics increasingly are engaging in workplace wellness conversations. Some experts argue external incentives have little impact on sustainable behavior change. Instead, they point to shifting internal values and habit modification as the keys to long-term change.

Researchers also debate the value of wellness programs themselves, not just incentives. Last year, research led to a New York Times article titled “Do Workplace Wellness Programs Work? Usually Not.”
The article suggests wellness vendors with vested stakes may be overselling wellness results. The debate has continued in Health Affairs articles and blog posts with experts duking it out over measurements, methodologies and findings.

Some have lauded the antiwellness side for calling attention to the wellness industry’s history of unsubstantiated return-on-investment (ROI) claims. Still others are frustrated over the lack of solutions proposed for effectively measuring wellness ROI in the unique employer setting. The Foundation survey found organizations currently use a variety of methods to calculate ROI: 41% use their total health care cost trend line, 27% use HRA/screening conditions trends, 24% use specific health care utilization trends and 17% compare the data of individual-level wellness program participants and nonparticipants. The average wellness ROI among all organizations with knowledge of their ROI was $3 per $1 spent.

One interesting survey finding was just how unique ROI analyses are to workplace wellness—Less than 5% of responding organizations measuring wellness ROI said they also measure the ROI of other benefit offerings or programs.

What academic debates and subsequent popular media articles often fail to recognize is that employer wellness efforts come in many shapes and sizes and are by no means limited to incentive programs focused on cost cutting. In fact, the Foundation survey shows the primary reason employers offer wellness initiatives is to invest in/increase worker health and engagement (59%) rather than to control/reduce health-related costs (41%).

Experts seem slowly to be recognizing this point, with discussions now revolving around a more holistic view of workplace health. One booming trend in wellness takes a culture-of-health approach as well as a much broader view of worker well-being and potential workforce outcomes. Increasingly referred to as Wellness 2.0, this trend aims to provide a healthy culture and wide range of offerings to support workers’ mental, social, community, financial, occupational and physical health and well-being. These efforts stem from the premise that the mere absence of disease does not equal health. Employers with such programs focus less on BMI and behavior change and more on providing comprehensive, inclusive and responsive programs that engage workers. (Hint: These efforts are less easy to outsource—Engagement and well-being can’t be bought with incentives.)

Many employers extend wellness initiatives beyond the realm of physical health. Their efforts have the potential to go beyond health care cost savings to results such as lower turnover and absenteeism, increased productivity, satisfaction and engagement, and improved health.

Gallup has been at the forefront of this shift with a tremendous amount of evidence of the positive effect of employee engagement on business success. (For example, Gallup findings show high engagement is correlated with higher profitability and customer ratings, less turnover and absenteeism, fewer safety incidents and greater employee health and productivity. Gallup has found that active disengagement costs the United States $450 billion to $550 billion per year).

In the Foundation’s survey, organizations that have analyzed the impacts of wellness efforts say these efforts have:

- Improved their organization’s HRA/screening data (62%)
- Improved engagement survey results (54%)
- Reduced absenteeism (45%)
- Positively affected their organization’s overall bottom line (38%).

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