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OCCASIONAL
P A P E R



A Review of the U.S. Workplace Wellness Market

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SUMMARY

Background and Objectives

The burden of chronic disease is growing in the United States, as rising rates of obesity and physical inactivity are leading to more diabetes and cardiovascular disease. Particularly worrisome is that the onset of chronic disease is shifting to younger-age cohorts, who are still participating in the labor market. This shift increases the economic burden of chronic disease, as illness-related loss of productivity is added to the cost of medical care. To counter this trend, employers are adopting health promotion and disease prevention strategies, taking advantage of their access to employees at an age when interventions directed at healthy behaviors can still change the trajectory of their long-term health. These strategies range from changes to the working environment, such as providing healthy food options in the cafeteria, to comprehensive interventions that support employees in adopting and sustaining healthy lifestyles. The Patient Protection and Affordable Care Act (Affordable Care Act) supports these initiatives with numerous provisions intended to leverage workplace health promotion and prevention as a means to reduce the burden of chronic illness and to limit growth of health care cost.

Against this background, the purpose of this report is to describe the current state of workplace wellness programs in the United States, including a description of typical program components; assess current uptake among U.S. employers; review the evidence for program impact; and evaluate the current use and the impact of incentives to promote employee engagement.

The Current State of Workplace Wellness Programs

Broadly, a workplace wellness program is an employment-based activity or employer-sponsored benefit aimed at promoting health-related behaviors (primary prevention or health promotion) and disease management (secondary prevention). It may include a combination of data collection on employee health risks and population-based strategies paired with individually focused interventions to reduce those risks. A formal and universally accepted definition of a workplace wellness program has yet to emerge, and employers define and manage their programs differently. Programs may be part of a group health plan or be offered outside of that context; they may range from narrow offerings, such as free gym memberships, to comprehensive counseling and lifestyle management interventions.

Wellness programs have become very common, as 92 percent of employers with 200 or more employees reported offering them in 2009. Survey data indicate that the most frequently targeted behaviors are exercise, addressed by 63 percent of employers with programs; smoking (60 percent); and weight loss (53 percent). In spite of widespread availability, the actual *participation* of employees in such programs remains limited. While no nationally representative data exist, a 2010 nonrepresentative survey suggests

that typically fewer than 20 percent of eligible employees participate in wellness interventions.

Program Impact

In industry surveys, employers typically express their conviction that workplace wellness programs are delivering on their promise to improve health and reduce costs. Numerous anecdotal accounts of positive program effects are consistent with this optimistic view. Further, several evaluations of individual programs and summative reviews in the scientific literature provide corroborating evidence for a positive impact.

Our own review of the most recent scientific literature evaluating the impact of workplace wellness programs on health-related behavior and medical cost outcomes identified 33 peer-reviewed publications that met our standards for methodological rigor. We found, consistent with previous reviews, evidence for positive effects on diet, exercise, smoking, alcohol use, physiologic markers, and health care costs, but limited evidence for effects on absenteeism and mental health. We could not conclusively determine whether or not program intensity was positively correlated with impact. Positive results found in this and other studies should be interpreted with caution, as many of these programs were not evaluated with a rigorous approach, and published results may not be representative of the typical experience of a U.S. employer.

A large body of literature exists in the form of government reports and trade and industry publications on key strategies to design and implement successful programs. While the effectiveness of those strategies has not yet been formally evaluated, the literature consistently mentions robust internal marketing, continuous evaluation and program improvement, and leadership accountability as critical to program success and provides tools to leverage those insights.

Role of Incentives

In addition to traditional communication strategies, employers have started using incentives to increase employee engagement in wellness programs. Incentives are offered in a variety of forms, such as cash, cash equivalents (e.g., merchandise and travel vouchers), and variances in health plan costs (e.g., plans with less cost-sharing or lower employee premiums). Estimates suggest that the average annual value of incentives per employee typically ranges between \$100 and \$500. Historically, employees could often qualify for incentives by undergoing screening for health risks or participating in a wellness program that promoted health but did not require particular health outcomes. More recently, a few employers are requiring program completion or documented success, such as verifiable smoking cessation.

The overall effects of incentives are poorly understood. While some studies suggest that rewards can promote behavior change, it is not clear how the type (e.g., cash or noncash), direction (reward versus penalty), and strength of incentives are related to employee

engagement and outcomes. There are also no data on potential unintended effects, such as discrimination against employees based on their health or health behaviors.

A number of laws and regulations at the federal and state level impose limits on the use of financial incentives as part of wellness programs, such as health plan premium discounts for program participants. In general, state insurance laws and federal laws under the Public Health Service Act, the Employee Retirement Income Security Act (ERISA), and the Internal Revenue Code regulate incentives offered through insured group health plans. Self-insured group health plans are exempt from state insurance regulations but remain subject to federal regulation. Incentives offered directly by an employer can fall under general employment laws and regulations.

Prior to the passage of the Affordable Care Act, the most significant applicable federal requirements were the Health Insurance Portability and Accountability Act (HIPAA) nondiscrimination provisions. These regulations impose certain requirements and limit the maximum reward that can be offered by a group health plan's wellness program, if achieving the reward requires an individual to satisfy a standard related to health. Under HIPAA the maximum reward cannot exceed 20 percent of the cost of health coverage. The Affordable Care Act raises the allowable value of incentives under these programs from 20 percent to 30 percent of the cost of coverage in 2014 and provides discretion to the secretaries of Labor, Health and Human Services, and the Treasury to increase the reward to up to 50 percent of the cost of coverage. The Affordable Care Act does not, however, supersede other federal requirements relating to the provision of incentives by group health plans, including requirements of the Genetic Information and Nondiscrimination Act (GINA) and the Americans with Disabilities Act (ADA).

Conclusions

Workplace wellness programs have achieved a high penetration in the United States, and most observers expect that uptake will continue to increase, especially as the Affordable Care Act will increase employment-based coverage and promotes workplace wellness programs through numerous provisions. At this point in time, there is insufficient objective evidence to definitively assess the impact of workplace wellness on health outcomes and cost. While employer sponsors are generally satisfied with the results, more than half stated in a recent survey that they did not know their program's return on investment. The peer-reviewed literature, while mostly positive, covers only a tiny proportion of the universe of programs, raising questions about the generalizability of the reported findings. The use of incentives to promote employee engagement, while increasingly popular, remains poorly understood, and it is not clear how the type (e.g., cash or noncash), direction (reward versus penalty), and strength of incentives are related to employee engagement and outcomes. There are also no data on potential unintended effects, such as discrimination against employees based on their health or health behaviors.

Thus, a dynamic and innovative wellness industry has outpaced its underlying evidence base. The available evidence provides “proof of concept,” but more research is needed to determine the impact of workplace wellness in real-world settings in order to adequately inform policy decisions. It should also be noted that there is no answer to the simple question “Do wellness programs work?” because that answer depends on the intervention, the opportunity, and the match between them. Programs vary widely with respect to what they target, how well they are designed, and how well they are executed. Future research should focus on finding out which wellness approaches deliver which results under which conditions to give much-needed guidance on best practices.