

# Incentives for Workplace Wellness Programs

## They Increase Employee Participation, but Building a Better Program Is Almost as Effective

A majority of U.S. employers offer workplace health and wellness programs, driven by the expectation that they will improve employee health and productivity and reduce employer health plans' costs. Despite broad access to wellness programs, employee participation is limited, leading employers to experiment with incentives to encourage participation.

Those incentives have recently become a controversial policy issue. The Equal Employment Opportunity Commission has sued three employers over their use of substantial incentives for participation in screening programs, arguing that the amounts make participation de facto involuntary and thus violate the Americans with Disabilities Act. The commission has issued a Notice of Proposed Rule Making to clarify its position. Simultaneously, legislation is circulating in Congress that would increase the level of permissible incentives to 50 percent of the cost of health coverage and align the patchwork of state and federal statutes that apply to such incentives. This sometimes-heated debate is being carried out with little evidence of how effective incentives really are.

*Workplace Wellness Programs: Services Offered, Participation, and Incentives*—the first study on this topic based on national survey data—describes the landscape of wellness programs, use of incentives, and their effect on participation. The main finding is that, while incentives increase employee uptake among programs with limited services, offering a comprehensive program is almost as effective.

### Program Availability and Use of Incentives Vary by Employer Size

In our survey, 69 percent of employers with more than 50 employees offered a wellness program, and 75 percent of programs included incentives to encourage participation. Employer size was the most important predictor of whether a program was offered: About 33 percent of the smallest firms (50 to 100 employees) and about 80 percent of the larger ones (more than 1,000 employees) had a wellness program; of those, about 60 percent of the smallest employers and 90 percent of other employers used incentives, mostly monetary, to promote program uptake.

Among employers without wellness programs, smaller firms tended to cite lack of financial resources and lack of cost-

#### Key findings:

- Incentives are associated with higher participation rates in wellness programs, by about 20 percentage points.
- Larger incentives don't work better, and penalties are more powerful than rewards.
- Comprehensive programs have the highest participation rates.

effectiveness, while larger employers were likely to cite lack of employee interest. The dearth of resources among smaller firms has important policy implications, given that about 36 percent of Americans work for employers with fewer than 100 workers.

### Five Flavors of Wellness Programs

We found that wellness programs fell into five configurations based on whether (and the extent to which) they offered three different types of services: (1) screening to detect health risks, (2) lifestyle management to reduce health risks and encourage

#### Program Configurations and Definitions

Program Configuration	Definition	% of Employers per Configuration
Limited	Limited services across all three components	34
Comprehensive	Extensive services across all three components	13
Screening-focused	Broad range of screening services but limited lifestyle- and disease-management services	20
Intervention-focused	Broad range of lifestyle- and disease-management services but limited screening	21
Prevention-focused	Broad range of screening and lifestyle-management services but limited disease management	12

SOURCE: RAND Employer Survey 2012, in S. Mattko, H. Liu, J. P. Caloyeras, et al., *Workplace Wellness Programs Study*, Santa Monica, Calif.: RAND Corporation, RR-254-DOL, 2013.

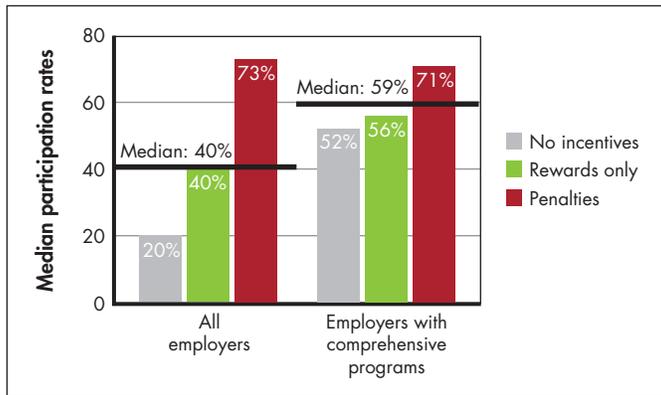
healthy lifestyles, and (3) disease management to support individuals with manifest chronic conditions.

Limited programs were particularly popular among smaller employers with 50 to 100 employees, at 70 percent, compared with just 41 percent of employers with 101 to 1,000 employees and 36 percent of employers with more than 1,000 employees.

### How Incentives Affect Program Uptake

Employers that did not use incentives reported lower participation rates—a median of just 20 percent. Uptake appears to increase with the use of rewards, such as access

### Relationship of Incentives and Program Configuration to Participation Rates



to a higher-value health plan, with a median participation rate of 40 percent. Framing incentives as penalties, such as higher insurance contributions for smokers, was associated with an even higher median participation rate of 73 percent.

Program configuration also influenced participation. Employers with comprehensive programs reported the highest participation rate, at 59 percent. Participation in these programs was less sensitive to choice of incentive scheme.

### Do High-Powered Incentives Work Better?

Using large incentives has an effect, albeit a limited one. Employers offering rewards of more than \$100, a common threshold, report participation rates of 51 percent, compared with 36 percent for those with smaller rewards. The same observation holds true for penalties: Our analysis of one large employer's actual participation data showed that a \$600 penalty increased participation in a smoking cessation program, but only by 8.5 percentage points.

### What Do the Findings Imply?

While incentives seem to be effective at increasing program uptake, they are not a panacea. Offering a rich, well-designed program is almost as effective at boosting employee participation rates as incentivizing employees to join more-limited ones. Our findings question whether employers' enthusiasm for incentives, which have the unintended consequence of shifting cost to employees with poor health, is warranted.

This brief describes work done in RAND Health documented in *Workplace Wellness Programs: Services Offered, Participation, and Incentives*, by Soeren Matke, Kandice Kapinos, John P. Caloyeras, Erin Audrey Taylor, Benjamin Batorsky, Hangsheng Liu, Kristin R. Van Busum, and Sydne Newberry, RR-724-DOL, 2014 (available at [www.rand.org/t/RR724](http://www.rand.org/t/RR724)). To view this brief online, visit [www.rand.org/t/RB9842](http://www.rand.org/t/RB9842). The RAND Corporation is a research organization that develops solutions to public policy challenges to help make communities throughout the world safer and more secure, healthier and more prosperous. RAND is nonprofit, nonpartisan, and committed to the public interest. RAND's publications do not necessarily reflect the opinions of its research clients and sponsors. RAND® is a registered trademark. © RAND 2015

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